it favors the first- and second-term reenlistments, but does little to improve the economic status of those who have decided to make the military a career and who have already served from 8 to 15 years. It offers nothing to the experienced sergeants and chiefs and the junior officers so vital to our defense setup.

I have tried in many ways to call to the attention of my colleagues the plight of the services today. The need is obvious. Perhaps the best statement that I have seen on the subject is the body of a petition, written and circulated by two Navy wives. Over 500 of these individual petitions have been received by my office and have been forwarded to the proper officials in the Defense Department. In my opinion, this petition is an eloquent challenge to us for action now.

Under unanimous consent, I include this in the RECORD:

GIVE US A CHANCE TO STAY IN THE NAVY

When our husbands joined the Navy they felt there was no better career than in the service of their country.

When we married Navy men we accepted the inherent disadvantages of Navy life; frequent moves, long separations, added responsibility a Navy wife must assume, etc. We were proud of our country, and wanted to instill in our children the same love and devotion.

However, we did expect that after 10, 15, or 20 years of service our husbands would receive sufficient pay for us to maintain at least a decent standard of living and to give our children a few of the advantages a competent civilian could secure for his children.

Over the past several years, the rising cost of living, plus constant reduction of benefits we were promised, plus the lack of any real pay raise, has made a Navy career a choice between serving our country and providing for our children. We can no longer do both.

We respectfully request that you do all in your power to secure the pay raise which is now before Congress, so that more husbands are not forced to make the choice between service to his country and the welfare of his own family.

SENATE

TUESDAY, JULY 13, 1954

(Legislative day of Friday, July 2, 1954)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

O merciful God, who alone can fill our life with holy purpose, at the beginning of this new day we beseech Thee that all its hours may be hallowed by tasks that are faced with a sense of Thy presence. From this altar of supplication we would go refreshed and empowered to dedicate our labor for that which is just and true. To serve the present age, we would give the best that is in us against the wrong that needs to be resisted and for the right that needs our assistance.

Teach us this day to enthrone wisdom upon our tongues and kindness within our hearts. And now, as problems having to do with the welfare of our Nation and of other nations fill to the brim the hours of this day, give us a joy in service that is independent of time or place and outward circumstances. So by Thy might shall we be garrisoned with fortitude and strengthened with courage: In the Redeemer's name. Amen.

THE JOURNAL

On request of Mr. KNOWLAND, and by unanimous consent, the reading of the Journal of the proceedings of Monday, July 12, 1954, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILL

Messages in writing from the President of the United States were communicated to the Senate by Mr. Tribbe, one of his secretaries, and he announced that on July 10, 1954, the President had approved and signed the act (S. 2475) to increase the consumption of United States agricultural commodities in foreign countries, to improve the foreign relations of the United States, and for other purposes.

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. THYE. Mr. President, I ask unanimous consent that the Subcommittee on Rules of the Committee on Rules and Administration may be permitted to meet this afternoon during the session of the Senate.

Mr. JOHNSON of Texas. Mr. President, has the Senator from Minnesota consulted with the minority leadership with respect to this request?

Mr. THYE. No.

Mr. JOHNSON of Texas. I object.

The VICE PRESIDENT. Objection is heard.

Mr. THYE subsequently said: Mr. President, I ask unanimous consent that a Subcommittee of the Committee on Rules and Administration be authorized to sit this afternoon during the session of the Senate. This meeting has been cleared with the minority leader.

The VICE PRESIDENT. Without objection, it is so ordered.

On request of Mr. KNOWLAND, and by unanimous consent, the Subcommittee on Education of the Committee on Labor and Public Welfare was authorized to meet during the session of the Senate today.

ORDER FOR TRANSACTION OF ROUTINE BUSINESS

Mr. KNOWLAND. Mr. President, I ask unanimous consent that immediately following the quorum call there may be the customary morning hour for the transaction of routine business, under the usual 2-minute limitation on speeches.

The VICE PRESIDENT. Without objection, it is so ordered.

CALL OF THE ROLL

Mr. KNOWLAND. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Green	Morse
Bridges	Hill	Murray
Burke	Johnson, Colo.	Neely
Butler	Johnson, Tex.	Pastore
Crippa	Johnston, S. C.	Payne
Ervin	Knowland	Robertson
Flanders	Lehman	Saltonstall
Gillette	Lennon	Stennis
Goldwater	Mansfield	Thye
Gore	Monroney	

Mr. SALTONSTALL. I announce that the Senator from Kansas [Mr. CARLSON], the Senator from Pennsylvania [Mr. DUFF], and the Senator from Michigan [Mr. POTTER] are necessarily absent. The junior Senator from Wisconsin [Mr. MCCARTHY] is absent on official business.

Mr. CLEMENTS. I announce that the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. ELLENDER], the Senator from Oklahoma [Mr. KERR], the Senator from South Carolina [Mr. MAYBANK], and the Senator from Arkansas [Mr. MCCLELLAN] are absent on official business.

The Senator from Florida [Mr. HOLLAND] is absent by leave of the Senate, attending the Sixth Pan-American Highway Congress at Caracas, Venezuela.

The VICE PRESIDENT. A quorum is not present.

Mr. KNOWLAND. Mr. President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from California.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will execute the order of the Senate.

After a little delay, Mr. ANDERSON, Mr. BARRETT, Mr. BEALL, Mr. BENNETT, Mrs. BOWRING, Mr. BRICKER, Mr. BUSH, Mr. BYRD, Mr. CAPEHART, Mr. CASE, Mr. CHAVEZ, Mr. CLEMENTS, Mr. COOPER, Mr. CORDON, Mr. DANIEL, Mr. DIRKSEN, Mr. DOUGLAS, Mr. DWORSHAK, Mr. FERGUSON, Mr. FREAR, Mr. FULBRIGHT, Mr. GEORGE, Mr. HAYDEN, Mr. HENDRICKSON, Mr. HENNINGS, Mr. HICKENLOOPER, Mr. HUMPHREY, Mr. IVES, Mr. JACKSON, Mr. JENNER, Mr. KEFAUVER, Mr. KENNEDY, Mr. KILGORE, Mr. KUCHEL, Mr. LANGER, Mr. LONG, Mr. MAGNUSON, Mr. MALONE, Mr. MARTIN, Mr. MCCARRAN, Mr. MILLIKIN, Mr. MUNDT, Mr. PURTELL, Mr. REYNOLDS, Mr. RUSSELL, Mr. SCHOEPPEL, Mr. SMATHERS, Mrs. SMITH of Maine, Mr. SMITH of New Jersey, Mr. SPARKMAN, Mr. SYMINGTON, Mr. UPTON, Mr. WATKINS, Mr. WELKER, Mr. WILEY, Mr. WILLIAMS, and Mr. YOUNG entered the Chamber and answered to their names.

The VICE PRESIDENT. A quorum is present.

Routine business is now in order.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following communications and letters, which were referred as indicated:

PROPOSED SUPPLEMENTAL APPROPRIATIONS, DEPARTMENT OF THE INTERIOR (S. Doc. No. 135)

A communication from the President of the United States, transmitting proposed supplemental appropriations for the fiscal year 1955, in the amount of $6,838,000, for the Department of the Interior (with an accompanying paper); to the Committee on Appropriations and ordered to be printed.

PROPOSED SUPPLEMENTAL APPROPRIATIONS, DEPARTMENT OF THE ARMY (S. Doc. No. 134)

A communication from the President of the United States, transmitting proposed supplemental appropriations for the fiscal year 1955, in the amount of $7,325,000, for the Department of the Army (with an accompanying paper); to the Committee on Appropriations and ordered to be printed.

SOIL SURVEY AND LAND CLASSIFICATION, AVONDALE PROJECT, IDAHO

A letter from the Assistant Secretary of the Interior, reporting, pursuant to law, that an adequate soil survey and land classification has been made of the lands on the Avondale project, Idaho, and that the lands to be irrigated are susceptible to the production of agricultural crops by means of sprinkler irrigation (with an accompanying paper); to the Committee on Interior and Insular Affairs.

PROPOSED AWARDS OF CONCESSION CONTRACTS

Four letters from the Assistant Secretary of the Interior, transmitting, pursuant to law, proposed awards of concession contracts in the Rocky Mountain National Park, Colo., the Mount Rushmore National Memorial, S. Dak., the Grand Teton National Park, Wyo., and Glacier National Park, Mont. (with accompanying papers); to the Committee on Interior and Insular Affairs.

PETITIONS

Petitions, etc., were laid before the Senate, and referred as indicated:

By the VICE PRESIDENT:

A resolution adopted by the Wyoming Federation of Republican Women, Douglas, Wyo., favoring the prompt abrogation of "The Status of Forces Treaty"; to the Committee on Foreign Relations.

A resolution adopted by the Wyoming Federation of Republican Women, Douglas, Wyo., commending congressional investigating committees; to the Committee on Rules and Administration.

A letter in the nature of a petition from George H. Ball, of Washington, D. C., relating to the recent decision of the Commissioner of Internal Revenue, which declared that the pension fund of the International Typographical Union was taxable; to the Committee on Finance.

PAYMENTS BY FEDERAL GOVERNMENT IN LIEU OF TAXES—LETTER FROM CITY MANAGER, EAU CLAIRE, WIS.

Mr. WILEY. Mr. President, there is an exceedingly important question as to Federal payment in lieu of taxes to local governments which have been deprived by Uncle Sam of an increasing amount of tax-collecting base.

I present a representative letter which I received from David D. Rowlands, city manager of Eau Claire, Wis., urging action on a pending bill (S. 2473) for such payment.

I ask unanimous consent that the letter be printed at this point in the RECORD, and be thereafter appropriately referred to the Senate Finance Committee.

There being no objection, the letter was referred to the Committee on Government Operations, and ordered to be printed in the RECORD, as follows:

CITY OF EAU CLAIRE, WIS.,
July 6, 1954.

The Honorable ALEXANDER WILEY,
United States Senate,
Senate Office Building,
Washington, D. C.

DEAR SENATOR WILEY: It is my understanding that Senate bill 2473 which would provide payments by the Federal Government in lieu of taxes to local governments is now being considered by the Senate Government Operations Committee. This bill, as you know provides for payments in lieu of taxes on Federal real and personal property of an industrial or commercial nature.

The officials in the city of Eau Claire are interested in having this bill enacted into law and it will be appreciated if you will confer with the members of this committee—Senators KENNEDY of Massachusetts, BUTLER of Maryland, BURKE of Ohio, and SMITH of Maine—to express our support of this legislation.

I want to take this opportunity to thank you in advance for giving this matter your immediate consideration.

As a final observation, it should be pointed out that the Federal Government has made payment in lieu of taxes to municipalities in other fields, particularly where defense housing was established during World War II, so some unusual precedent is not being established.

Sincerely yours,

DAVID D. ROWLANDS,
City Manager.

PURCHASE OF FIRE-FIGHTING EQUIPMENT — RESOLUTION OF MINNESOTA STATE CIVIL DEFENSE FIRE BOARD, ST. PAUL, MINN.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that a resolution adopted by the Minnesota State Civil Defense Fire Board, requesting that the Federal Government appropriate moneys to match local and State funds for the purchase of fire-fighting equipment, be printed in the RECORD, and appropriately referred.

There being no objection, the resolution was referred to the Committee on Government Operations, and ordered to be printed in the RECORD, as follows:

Whereas, Public Law 920 and the Minnesota Civil Defense Act of 1951 have made civil defense a governmental responsibility; and

Whereas the degeneration of the international situation emphasizes the increasing need for preparedness; and

Whereas the development of destructive weapons the enemy is capable of delivering to American cities can cause conflagrations and fire storms far exceeding anything heretofore experienced in our history; and

Whereas a complete inventory and analysis of every piece of fire-fighting equipment, including State-owned equipment, operated by local fire departments in Minnesota has given only an inadequate amount of fire apparatus for the direct support of the critical target areas of St. Paul and Minneapolis and the target area of Duluth: Now, therefore, be it

Resolved, That we the undersigned, the State civil defense fire defense board, as established under the authority of the Minnesota civil defense plan, meeting in the State civil defense control center, 1643 Rice Street, St. Paul, Minn., on the 25th day of June 1954, respectfully request Congressional representatives of the people of Minnesota and other States to appropriate Federal moneys for the purpose of matching local and State funds for the purchase of fire-fighting equipment to strengthen the operational effectiveness of the fire-fighting services in Minnesota.

Frank Everett, Rochester Fire Defense Chief, MSU I, 20 Counties, Southeast Minnesota; Parcy Burns, Keewatin, Fire Defense Chief, MSU II, 8 Counties, Northeast Minnesota; William A. Herbert, Crookston, Fire Defense Chief, MSU III, 15 Counties, Northwest Minnesota; Conrad Lund, Alexandria, Fire Defense Chief, MSU IV, 24 Counties Central Minnesota; Ben Bangerter, Mankto, Fire Defense Chief, MSU V, 20 Counties, Southwest Minnesota; Leonard C. Lund, Deputy Commissioner, Fire Marshal Division, State of Minnesota; R. C. Malmquist, Fire Chief, City of Minneapolis; W. H. Mattacks, Fire Chief, City of St. Paul; A. E. Pimley, Fire Protection, Forestry Division, State Department of Conservation.

GOVERNMENT COMPETITION WITH PRIVATE INDUSTRY—RESOLUTION

Mr. HUMPHREY. Mr. President, I ask unanimous consent that a resolution relating to Government competition with private industry, adopted by the National Marking Device Association, brought to my attention by E. M. Mellgren, president of the Stamp Works at St. Paul, Minn., and vice president of the National Marking Device Association, be printed in the body of the RECORD and appropriately referred.

There being no objection, the resolution was referred to the Committee on Labor and Public Welfare, and ordered to be printed in the RECORD, as follows:

To Whom It May Concern:

Whereas the marking-device industry has developed products and methods for the marking of the products of the world, and among them many very essential ones for use in either peace or wartime, and has invested extensively in tools and processing equipment for this production; and

Whereas this industry has been in the past and is still fully prepared to provide adequate product and services for the country's entire needs; and

Whereas the Federal Government is now competing in increasing and, in most cases, uneconomical ways with these valuable products and services to their disadvantage and in some instances to the point of driving them from the field: Now, therefore, be it

Resolved, That this industry in convention assembled, deploring this unnecessary and unfair competition—emanating from Federal prisons, ammunition plants, arsenals, Bureau of Standards, and elsewhere—is unalterably opposed to this intrusion by the Government into private industry, and will willingly cooperate in any effort made in its behalf to restore to it its proper functions, particularly in the manufacture of rubber stamps, marking inks, and similar marking products.

REPORT OF A COMMITTEE

The following report of a committee was submitted:

By Mr. LANGER, from the Committee on the Judiciary:

S. 3168. A bill granting the consent and approval of Congress to an interstate compact relating to the creation, development, and operation by the States of Kentucky and Virginia of a park to be known as the Breaks Interstate Park; with amendments (Rept. No. 1800).

MUTUAL SECURITY ACT OF 1954—REFERENCE OF BILL TO ARMED SERVICES COMMITTEE

Mr. KNOWLAND. Mr. President, pursuant to the custom which has been followed heretofore, and after consultation with the minority leader [Mr. JOHNSON of Texas], I ask unanimous consent that when the bill (H. R. 9678) to promote the security and foreign policy of the United States by furnishing assistance to friendly nations, and for other purposes is reported from the Committee on Foreign Relations it be referred to the Committee on Armed Services.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

MUTUAL SECURITY ACT OF 1954—REPORT OF A COMMITTEE

Mr. WILEY subsequently said: Mr. President, from the Committee on Foreign Relations, I report favorably, with an amendment, the bill (H. R. 9678) to promote the security and foreign policy of the United States by furnishing assistance to friendly nations, and for other purposes, and I submit a report (No. 1799) thereon.

The VICE PRESIDENT. The report will be received; and, under the order heretofore agreed to, the bill will be referred to the Committee on Armed Services.

Mr. WILEY subsequently said: Mr. President, I ask unanimous consent that the Senator from North Dakota [Mr. LANGER] be permitted to submit minority views on House bill 9678, to be printed as part 2 of Senate Report No. 1799.

The VICE PRESIDENT. Is there objection? The Chair hears none and it is so ordered.

MUTUAL SECURITY ACT OF 1954—MINORITY VIEWS

Subsequently,

Mr. LANGER, as a member of the Committee on Foreign Relations, submitted, pursuant to the order of the Senate of today, his minority views on the bill (H. R. 9678) to promote the security and foreign policy of the United States by furnishing assistance to friendly nations, and for other purposes, which was ordered to be printed as part 2 of Report No. 1799.

NOTICE OF HEARING BY ARMED SERVICES COMMITTEE ON MUTUAL SECURITY AUTHORIZATION BILL

Mr. SALTONSTALL. Mr. President, with reference to the request of the distinguished majority leader, made earlier today, with respect to the mutual-aid authorization bill, which has now been referred to the Committee on Armed Services, I respectfully state that the Committee on Armed Services expects to hold hearings on the bill in executive session tomorrow morning at 10 o'clock, and any Senator who wishes to do so, may appear before the committee.

BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. SALTONSTALL (by request):

S. 3736. A bill for the relief of Louis Bostiga; and

S. 3737. A bill for the relief of Leopoldine Maria Lofblad; to the Committee on the Judiciary.

By Mr. LANGER:

S. 3738. A bill to fix the fees payable to the Patent Office and for other purposes; and

S. 3739 (by request). A bill to permit the naturalization of certain persons by reason of honorable service to the United States Navy prior to December 24, 1952; to the Committee on the Judiciary.

By Mrs. BOWRING (for herself, Mr. CARLSON, Mr. CASE, Mr. JOHNSON of Colorado, Mr. YOUNG, Mr. SPARKMAN, Mr. MUNDT, Mr. MALONE, Mr. REYNOLDS, and Mr. GOLDWATER):

S. 3740. A bill to amend the Packers and Stockyards Act, 1921, with respect to the charging of brand inspection fees; to the Committee on Agriculture and Forestry.

By Mr. MARTIN:

S. 3741. A bill to amend section 120 of the Internal Revenue Code (relating to the unlimited deduction for charitable and other contributions); to the Committee on Finance.

By Mr. MORSE:

S. 3742. A bill relating to the claims of the Mid-Columbia River Indians against the United States arising out of the construction of the Dalles Dam; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. MORSE when he introduced the above bill, which appear under a separate heading.)

By Mr. BRIDGES (for himself and Mr. BYRD):

S. J. Res. 174. Joint resolution proposing an amendment to the Constitution of the United States to provide for the imposition of Federal taxes to provide revenues at least equal to appropriations, except in time of war declared by the Congress or when the United States is engaged in open hostility against an external enemy; to the Committee on the Judiciary.

(See the remarks of Mr. BRIDGES when he introduced the above joint resolution, which appear under a separate heading.)

By Mr. CASE (by request):

S. J. Res. 175. Joint resolution to authorize the quartering in public buildings in the District of Columbia of troops participating in activities related to the American Legion National Convention of 1954; to the Committee on Government Operations.

S. J. Res. 176. Joint resolution to provide additional municipal services for the District of Columbia, in connection with the American Legion National Convention of 1954, to authorize the granting of permits to the American Legion 1954 Convention Corporation on the occasion of the American Legion National Convention of 1954, and for other purposes; to the Committee on the District of Columbia.

MID-COLUMBIA RIVER INDIANS' CLAIMS FOR LOSS OF FISHERY RIGHTS AT CELILO FALLS, OREG.

Mr. MORSE. Mr. President, I introduce for appropriate reference a bill relating to the claims of the Mid-Columbia River Indians against the United States arising out of the construction of the Dalles Dam. I ask unanimous consent that the bill, together with a statement by me relating to the bill be printed in the RECORD.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the bill and statement will be printed in the RECORD.

The bill (S. 3742) relating to the claims of the Mid-Columbia River Indians against the United States arising out of the construction of the Dalles Dam, introduced by Mr. MORSE, was received, read twice by its title, referred to the Committee on Interior and Insular Affairs, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That the Chief of Engineers is authorized, for the purposes of the last proviso in the paragraph entitled "Construction, General" in the Civil Functions Appropriation Act, 1954, to negotiate with the Mid-Columbia River Indian Right Council, or any agent or attorney designated by such council, as the representatives of the Indians whose names appear on the roll prepared under section 2, in connection with their claims arising out of the construction, operation, or maintenance of the Dalles Dam, Columbia River, Oreg. and Wash.

SEC. 2. The Secretary of the Interior is authorized and directed to prepare, at the earliest practicable date, a roll of the individual Indians who—

(a) through domicile at or in the vicinity of the Dalles Dam and through custom and usage, or through membership in a recognized tribe, are found to have an equitable interest in the fishery at Celilo Falls; and

(b) on the date of enactment of the Civil Functions Appropriation Act, 1954, were domiciled at or in the vicinity of the Dalles Dam.

SEC. 3. Any amounts determined to be payable to the Indians whose names appear on the roll prepared under section 2 of this act, in connection with their claims arising out of the construction, operation, or maintenance of the Dalles Dam, shall be paid to such Indians individually, or to the guardians of those who may be minors or of unsound mind, except that no such payment shall be made to any Indian who is an enrolled member of a recognized tribe unless he executes a waiver, in such form as may be prescribed by the Secretary of the Interior, of all right to or interest in any amounts payable to such tribe or the members thereof in connection with their claims arising out of the construction, operation, or maintenance of the Dalles Dam.

The statement by Mr. MORSE is as follows:

STATEMENT BY SENATOR MORSE ON THE MID-COLUMBIA RIVER INDIANS' CLAIMS FOR LOSS OF FISHERY RIGHTS AT CELILO FALLS, OREG.

The Mid-Columbia River Indians, who from time immemorial have lived at Celilo

Falls on the banks of the Columbia River in Oregon, are going to lose their homesite and ancient fishery. These Indian people depend upon Nature's bountiful supply of salmon in the Columbia River as the principal means of their livelihood. Most Americans have seen pictures of the magnificent falls of Celilo and the Indians assembled on the rocks and structures fishing for salmon as their ancestors did centuries ago.

Man's progress in this swift-moving world will soon leave only memories of Celilo Falls. The reservoir to be formed by the Dalles Dam will inundate the falls and the Mid-Columbia Indians will no longer dwell at the site to obtain their livelihood under the customs of their forebears.

The Government, in recognition of the fact that the Indians' fishery is a valuable property right, arranged for the payment of many millions of dollars to compensate for the loss sustained by these people. Congress, under Public Law 153 of the 83d Congress, implemented this arrangement by authorizing the Chief of Engineers to make compensation payments to the various Indian tribes affected by the loss of the fishery.

The Mid-Columbia River Indians had, for some time prior to the enactment of Public Law 153, encountered difficulties with the interested Government agencies in obtaining recognition as an Indian tribe with which a settlement could be effected for the loss of their valuable rights. These Indians retained counsel, participated in committee hearings in Washington, D. C., and upon inclusion in the Senate civil functions appropriation bill of the proviso that ultimately appeared in Public Law 153, they assumed that their right to compensation as an Indian tribe was settled beyond question and that the Government would negotiate a final settlement under the authority of Public Law 153. The proviso in question reads as follows:

"*Provided further*, That funds appropriated herein may, at the discretion and under the direction of the Chief of Engineers, be used in payment to the accounts of the Confederated Tribes of the Yakima Reservation; the Confederated Tribes of the Warm Springs Reservation; the Confederated Tribes of the Umatilla Reservation; or other recognized Indian tribes, and those individual Indians not enrolled in any recognized tribe, but who through domicile at or in the immediate vicinity of the reservoir and through custom and usage are found to have an equitable interest in the fishery, all of whose fishing rights and interests will be impaired by the Government incident to the construction, operation, or maintenance of the Dalles Dam, Columbia River, Wash. and Oreg., and must be subordinated thereto by agreement or litigation."

Despite the enactment of the foregoing language, the Department of the Interior has taken the position that "Departmental recognition of the existence of an Indian tribe as such" is "dependent upon ratification by the United States Senate of a treaty or agreement with an Indian tribe or recognition of a tribal entity under Federal statutes." Consequently, the Department of the Interior through its Bureau of Indian Affairs has concluded that it cannot regard the Mid-Columbia River Indians as a recognized Indian tribe for the purpose, among others, of approving contracts between Indian tribes and their attorneys.

The Army engineers have taken the position that they cannot negotiate with counsel for the Mid-Columbia River Indians until counsel qualifies by obtaining approval of the Bureau of Indian Affairs.

So far as I have been able to ascertain, these Indians want to be treated as a tribe or band and they desire to be represented by tribal counsel for purposes of negotiating with the Government.

In view of the fact that the interested Government agencies take the position that there are legal obstacles to the recognition of attorney contracts and to negotiations of the type desired by the Mid-Columbia River Indians, I have introduced for appropriate reference, a bill which is designed to remove such legal obstacles. I ask that the Senate Committee on Interior and Insular Affairs give consideration to this matter at the earliest possible date because I am sure that the Government agencies and all interested parties are most anxious to resolve this case promptly upon a fair and reasonable basis.

PROHIBITION OF TRANSPORTATION OF GAMBLING DEVICES IN INTERSTATE AND FOREIGN COMMERCE—AMENDMENT

Mr. BUTLER submitted an amendment intended to be proposed by him to the bill (S. 3190) to amend section 3 of the act of January 2, 1951, prohibiting the transportation of gambling devices in interstate and foreign commerce, which was ordered to lie on the table and to be printed.

AMENDMENT OF SECTION 345 OF REVENUE ACT OF 1951

Mr. BUSH (for himself, Mr. BRIDGES, Mr. CAPEHART, and Mr. FERGUSON) submitted an amendment intended to be proposed by them, jointly, to the bill (H. R. 6440) to amend section 345 of the Revenue Act of 1951, which was referred to the Committee on Finance and ordered to be printed.

EXTENSION OF COVERAGE UNDER OLD-AGE AND SURVIVORS INSURANCE PROGRAMS—AMENDMENT

Mr. LONG. Mr. President, some of us are very much concerned that every time social-security payments have been increased the minimum benefits have remained so inadequate that many recipients have found it necessary to rely in large measure upon public assistance. Every time their social-security payments have been increased they have found that their public assistance was reduced by the same dollar amount that the social-security benefits were increased. That same result would again occur if H. R. 9366 were passed in its present form. Although the bill provides an average of $6 increase for every person on social security, that benefit would be of no use to those who were drawing public assistance, because it would be necessary for the public-assistance administrators throughout the country to deduct that amount from the public assistance to which each person would be entitled.

For that reason, Mr. President, I have been joined by three other Senators, the Senator from Florida [Mr. SMATHERS], the Senator from Nevada [Mr. MALONE], and the Senator from California [Mr. KUCHEL], in submitting an amendment intended to be proposed by us jointly to the bill (H. R. 9366) to amend the Social Security Act and the Internal Revenue Code so as to extend coverage under the old-age and survivors insurance program, increase the benefits payable thereunder, preserve the insurance rights of disabled individuals, and increase the amount of earnings permitted without loss of benefits, and for other purposes.

The VICE PRESIDENT. The amendment will be received and printed, and will be referred to the Committee on Finance.

CHANGES OF REFERENCES

Mr. LANGER. Mr. President, at a recent meeting of the Committee on the Judiciary motions were made and passed unanimously by the committee, a quorum being present, to refer four bills now pending in the committee to other committees of the Senate on jurisdictional grounds.

The first one is S. 603, introduced by the Senator from Montana [Mr. MURRAY], for himself and a number of other Senators, all members of the Labor and Public Welfare Committee, which would make a criminal offense of certain actions which are now described as only unfair labor practices under the provisions of the Taft-Hartley law. Since the bill has the indirect effect of amending that law, the committee believes it should be considered by the Labor and Public Welfare Committee.

The second bill is S. 2449, a private bill for the relief of a civil-service employee who became entangled in the operation of the so-called Whitten rider so as to miss out on a grade promotion. In all probability, the Post Office and Civil Service Committee has had occasion to study this problem generally, and therefore it is the recommendation that this bill be referred to that committee.

The third bill, S. 2631, introduced by the Senator from Delaware [Mr. WILLIAMS], would prohibit the payment of Government retirement benefits to persons convicted of certain offenses. A similar bill, introduced by the Senator from Michigan [Mr. FERGUSON], was referred to the Committee on Post Office and Civil Service, and therefore, in the opinion of the committee, this bill should go to that committee for consideration at such time as they take up the Ferguson bill.

The fourth bill is H. R. 1325, a private bill for the relief of George L. F. Allen, relates to the waiver of certain veterans' regulations, the subject matter of which is in the jurisdiction of the Committee on Labor and Public Welfare.

Mr. President, I now ask unanimous consent that the Committee on the Judiciary be discharged from further consideration of the above bills and that they be referred to the other committees as indicated.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Committee on the Judiciary will be discharged from further consideration of the bills, and they will be referred as requested by the Senator from North Dakota.

AMENDMENT OF INTERSTATE COMMERCE ACT, RELATING TO REQUESTS OF COMMON CARRIERS FOR INCREASED TRANSPORTATION RATES—WITHDRAWAL OF MOTION TO RECONSIDER

Mr. BRICKER. Mr. President, I ask unanimous consent that the motion to reconsider the vote by which the bill (S. 1461) to amend the Interstate Commerce Act, as amended, concerning requests of common carriers for increased transportation rates, was recommitted to the Committee on Interstate and Foreign Commerce, and which was made by the late Senator Butler of Nebraska, our deceased colleague, on May 14, 1954, be withdrawn.

The VICE PRESIDENT. Is there objection to the reqeust?

Mr. LANGER. Mr. President, I should like to ask one question. Is it the intention of the committee to bring the bill up again at this session?

Mr. BRICKER. The committee is going to take it up tomorrow morning. That is the reason for this unanimous-consent request.

Mr. LANGER. The committee will take it up?

Mr. BRICKER. Yes.

Mr. LANGER. Is it planned to report the bill to the Senate?

Mr. BRICKER. I have no idea; I do not know.

Mr. LANGER. There will be no report to the Senate until the committee takes action?

Mr. BRICKER. Oh, no.

Mr. LANGER. I thank the Senator. I have no objection.

The VICE PRESIDENT. The Chair hears no objection, and the unanimous-consent request is agreed to.

PRINTING OF REVIEW ON CHARLESTON HARBOR, CHARLESTON, S. C.

Mr. MARTIN. Mr. President, I present a letter from the Acting Secretary of the Army, transmitting a report dated June 22, 1954, from the Chief of Engineers, United States Army, together with accompanying papers and illustrations, on a review of reports on the Charleston Harbor, Charleston, S. C., requested by a resolution of the Committee on Public Works of May 12, 1950. I ask unanimous consent that the report be printed as a Senate document, with illustrations.

The VICE PRESIDENT. Is there objection to the request of the Senator from Pennsylvania? The Chair hears none, and it is so ordered.

EXECUTIVE SESSION

Mr. KNOWLAND. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The VICE PRESIDENT laid before the Senate a message from the President of the United States submitting sundry nominations, which were referred to the Committee on Armed Services.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF A COMMITTEE

The following favorable reports of nominations were submitted:

By Mr. LANGER, from the Committee on the Judiciary:

Walter E. Hoffman, of Virginia, to be United States district judge for the eastern district of Virginia; and

William A. O'Brien, of Pennsylvania, to be United States marshal for the eastern district of Pennsylvania, vice Walter S. Farley, removed.

The VICE PRESIDENT. If there be no further reports of committees, the clerk will proceed to state the nominations on the Executive Calendar.

FOREIGN OPERATIONS ADMINISTRATION

The Chief Clerk read the nomination of Clement D. Johnston to be a member of the Public Advisory Board, Foreign Operations Administration.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Mrs. Helen Chapman to be a member of the Public Advisory Board, Foreign Operations Administration.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Harold C. McClellan to be a member of the Public Advisory Board, Foreign Operations Administration.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Mrs. Percy Maxim Lee to be a member of the Public Advisory Board, Foreign Operations Administration.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

ATOMIC ENERGY COMMISSION

The Chief Clerk read the nomination of Herbert Bernard Loper to be Chairman, Military Liaison Committee to the Atomic Energy Commission.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

COLLECTOR OF CUSTOMS

The Chief Clerk read the nomination of Merrill D. White to be collector of customs for customs collection district No. 18, with headquarters at Tampa, Fla.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

Mr. KNOWLAND. I ask that the President be immediately notified of all nomination confirmed this day.

The VICE PRESIDENT. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. KNOWLAND. I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

THE FARM PROGRAM

Mr. SALTONSTALL. Mr. President, the five New England States produce annually some $200 million worth of dairy products and an equally or slightly larger amount of poultry products. That production is largely dependent upon raw materials furnished by the great Grain Belt of the West where those commodities have for the past decade been kept at an unusually high support level. Those facts give New England dairy men and poultry men a keen interest in the debate on farm price supports which is shortly to take place on the floor of this body. It is particularly helpful therefore, Mr. President, for me as a New England Senator to have received from Mr. Carleton I. Pickett, executive secretary of the Massachusetts Farm Bureau Federation, a full and detailed exposition of the federation's position on this legislation. His letter to me sheds light on it which will be of interest to many outside Massachusetts and New England.

I believe that some of the conclusions he reaches go further than we in this body, who are perhaps a little closer to the situation as it appears in Washington today, can go or wish to go. However his letter is clear, and gives a complete summary of some 7 or 8 positions which many New England farmers take. I therefore ask unanimous consent to have the letter printed in the RECORD at this point as a part of my remarks.

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

MASSACHUSETTS FARM BUREAU FEDERATION, INC.,
Waltham, Mass., July 8, 1954.

Senator LEVERETT SALTONSTALL,
United States Senate,
Washington, D. C.

DEAR SENATOR: There will be before the Senate very shortly a farm bill which probably will be a one-package bill if the action taken in the House of Representatives is any indication. I hope that you will understand that the question of price supports and how high or how low or how flexible they are is only one question. I am rather afraid that they lost sight of that fact in the House. There were days of debate on the question of how high price support would be and then no debate whatsoever over the other provisions of the bill. As a matter of fact, the other provisions of the bill are equally important, tremendously important.

First of all, I would like to talk to you about the present fixed price-support program. The present fixed price-support program does not make sense nationally. No matter how one analyzes national statistics in relation to farmers' net income and the public good, it becomes crystal clear that improvements in the farm program are overdue.

Obviously, a sound program cannot be built with only a few districts or a few commodities in mind. Yet, when one analyzes

the present farm program in relation to specific districts or areas, it becomes dramatically clear that (a) the present program is not generally applicable; (b) large numbers of farmers have been adversely affected; (c) the plight of many more will become increasingly more acute unless we come to grips now with the diverted acre problem; and (d) the whole farm program can be lost because farmers, as well as our customers, are footing the bill that makes neither sense nor money for any considerable number of voters.

Take Massachusetts, for example; only 4 percent of the value of farm products sold comes from supported basic crops. (Cigar wrapper tobacco, 1 of the 2 types produced in this State, is not covered by the price-support program. However, the census does not report the different types separately.) As you know, the prices of nonsupported commodities, as a group, have been higher than the supported.

Seventy-one and four-tenths percent of the farmers in the area buy feed from supported grain crops. Any possible desirable effect of support price seems to me to be completely offset in feed prices, to say nothing of the taxpayers' bill to pay for the program.

Nearly 2,899 farmers sold vegetables. There are nearly 5,967 dairymen, more than 8,394 sold livestock, and 178 raised oats. They have a keen interest in the effect of the 20 million or more diverted acres, from inside and outside the State. They are helping to support, through taxes, competition for themselves. Their net income hardly justifies it. Eight thousand two hundred and thirty-three have an income from poultry. The welfare of 5,967 dairymen seems hardly enhanced, if dairy products keep piling up, to help depress prices or incur public disfavor.

There is no question at all that here in New England a rigid high price support is bad for both farmers and for consumers. Yet I do not ask you to vote on strictly sectional lines. The record will show that the high rigid price support has not been good for farmers anywhere, that it is only applied to a relatively few commodities and to less than 30 percent of our Nation's farmers, that it has priced us out of the markets of the world and that it has been a tremendous tax upon consumers and farmers alike. I am deeply concerned, as are the farmers in this area, at the so-called compromise that was arrived at in the House. It was not a compromise but a surrender to political expediency and I hope in the Senate that you will be able to give all of us a bill which will embody the principles of the variable support price starting at 75 percent of parity and ending at 90 percent.

Now for a moment let's consider the question of diverted acres. Unless something is done with these diverted acres to make cross compliance necessary in order to enjoy the price support on one commodity, then the whole purpose of the farm program is defeated. Yet it is not enough for a national agricultural program to tie the farmer to cross compliance in order to have support because then he is limited only in his planting to the necessity of staying away from the other few basic crops and he can go all out into the production of poultry and eggs, fruits and vegetables, milk, and all those other things which are nonbasic but which are in surplus supply. This would cause an even greater catastrophe to American agriculture, in general, and to New England agriculture specifically than a continuation of high rigid supports.

We believe that your legislation should require the Secretary of Agriculture to establish, regionally, lists of crops which may not be produced for direct or indirect sale or may be so produced only to limited extent and that further a great deal of this land should be utilized for stockpiling fertility in the soil against the need of future all-out production. Certainly the establishment of some proper control over the use of these diverted acres is of essential necessity.

The proposal in the House bill for a two-price system in wheat seems to us equally dangerous. As large buyers of wheat we have an interest. As citizens and taxpayers we have an interest and yet our primary interest, I sincerely believe, is in a good workable farm bill and a two-price system is never satisfactory. It will be pleaded that a two-price system has worked for milk. The producers of dairy products in our area might question that very sharply. It has not always operated well and a two-price system in milk is entirely different from the proposed two-price system for wheat. Under the two-price system for wheat there would have to be a processing tax plan and if this procesing tax plan were used, it must be approximately the difference between the market price for wheat and the parity equivalent and it would have to be borne by the flour and feed products. That tax paid on total processing would be a drawback to domestic consumption and to domestic uses but beyond that there are other objections which should be anticipated. We had processing taxes back in the days of the AAA of 1933 and processors fought them bitterly just as they would again. It also stirred up consumer opposition just as it would again. The administrative costs of collecting processing tax and making payments to farmers would be high. It also is of dubious constitutionality. We hope that you will reject this particular plan.

In conclusion, Senator, let me once again call it to your attention that a national farm program is much more than a question of the degree of price support. Unless careful consideration to other phases of the agricultural bill is given by the Senate and the House bill greatly amended, I am afraid that you have offered the American farmer very little. The national farm programs on the whole have been reacting against the best interests of the New England farmer, the New England consumer, and New England industry. The rigid high price supports currently in effect upon the raw materials which we must buy for our products cannot help but make themselves adversely felt and they add to our problems of cost and prices. When you consider that within the five New England States we produce annually some $200 million worth of dairy products and an equally or slightly larger amount of poultry products and that that production is largely dependent upon the raw materials to the grain belt of the West where those commodities have for the past decade been kept at an unusually high support level, it must be evident that it is a program very distasteful to us. In the implementation of the high price support programs, it has been necessary for Government to purchase up vast stores of commodities in order to keep up the prices which we pay and a disproportionate portion of the taxes paid by our people go into the very programs that react against them. I am sure that it will be a great and grave mistake for Congress to fail to take this into consideration.

Respectfully yours,

CARLETON I. PICKETT,
Executive Secretary.

HANDLING OF UNION WELFARE FUNDS—ARTICLE BY DAVID DUBINSKY

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed in the body of the RECORD an article from the July issue of the American Federationist written by Mr. David Dubinsky, president of the International Ladies' Garment Workers' Union of America. The article is a proposal that the organized labor movement support legislation setting up a minimum code of propriety and responsibility in the handling of union welfare funds. I remind the Senate that on June 22, 1954, I introduced a bill, S. 3649, to accomplish many of the objectives which Mr. Dubinsky lists in his article.

Mr. Dubinsky is one of our Nation's outstanding labor statesman. His career is characterized by the phrase "community responsibility." He brings with his views many years of dedicated experience in behalf of working men and women, plus the gift of unusual wisdom and dedication to democratic ideals.

I also ask unanimous consent to have 2 editorials, 1 from the July 8 issue of the Washington Post and Times Herald and 1 from the July 5 issue of the New York Times, on the subject of union welfare funds, printed in the RECORD.

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

(By David Dubinsky)

During World War II the phrase "fringe benefit" became a popular term in news headlines and in labor-management talks. The word "fringe" was intended to convey the idea that the new benefit was sort of a little decoration around the basic terms contained in a collective agreement. Today these fringes have grown to be so huge and substantial that they are increasingly looked upon as a vital and normal part of a labor-management contract.

In 1938 the convention report of the American Federation of Labor showed total benefit payments—covering death, sickness, old age, disability and miscellaneous benefits—of some $25 million for all AFL affiliates.

Dramatic evidence of the growth in welfare funds is contained in the single fact that in 1953 the International Ladies' Garment Workers' Union paid out benefits of more than $36 million and had an income of $54 million. This one union in 1953 paid out more than the combined affiliates of the AFL did in 1938.

There is a great difference, however, between the character of the welfare fund listed by the AFL in 1938 and the character of the present ILGWU welfare funds. The former were financed through dues and assessments of union members; the latter are employer-contributed, based on a percentage of the payroll, as embodied in collective agreements. There were a few unions, including the ILGWU, which set up their first employer-contributed welfare funds before World War II. But the big push by labor as a whole in the direction of such funds came during the war years. The wage freeze made it difficult to get wage increases, then interpreted to be inflationary. Millions and millions of dollars, instead of adding to employers' profits, went into special funds, set aside to help working people in the hours of death, sickness, retirement, maternity, and accident.

As a result of this rapid movement in the direction of welfare funds, the horizons of labor have been broadened and the wage-earning family enjoys new securities. Our horizons have been broadened because we are no longer simply concerned with what happens to the dues-payer in the plant. We are also concerned with what happens to him when he needs or wants a vacation away from the plant; we are concerned with his health and his ability to meet medical bills; we are concerned with his ability to

live in dignity in old age; we are concerned with his family—when the breadwinner passes away. Out of this concern, the wage-earner has increasingly found in his union a bulwark against the many insecurities that dog the life of a worker and his family.

These new-type welfare funds—employer-contributed—represent a marked departure from the traditional union policy that a union contract should be limited to wages, hours, and working conditions. The new point of view, namely, that it is desirable and proper for a union to write a contract that covers matters of health, welfare, vacation, retirement, in addition to hours and wages, brought new problems with it in the administration of such funds.

When members of a union contributed out of their own pocket to union benefit funds, these self-same members had a greater inclination to keep their eye on the handling of the funds. But when the funds come from the outside, the member is less inclined to scrutinize the handling of the finances. And so far as the employers go, they count the percentage contributions as a wage increase and do not care much how it is spent so long as they are not asked for more.

These welfare plans are different from normal union operations. Generally, what a union gives to its members is service: The negotiation of an agreement, the handling of a complaint. Under the welfare plans, the union is giving more than service. It is handing out money—huge sums of money. The fact that the unions are here moving in a new direction, with no great body of tradition and precedent, and the further fact that this new aspect of unionism involves millions of dollars open the door to mismanagement and malpractice.

The rapid growth of welfare funds caught many union leaders by surprise. The pressure for such funds came from below—as the security and welfare benefits became popular with locals and rank-and-file members. Many top union leaders did not look with favor upon the introduction of these welfare benefits because they believed that a union's job was solely its concern with wages and hours. When finally these welfare systems became a fact of life, the international unions were in no way prepared to advise, supervise, or control these funds. Some of these self-same unions had an elaborate and adequate system for insuring honest and businesslike procedures in the handling of the funds based on member contributions. But they had no plans for insuring proper usage of the new and immense funds coming in through employer contributions.

Undoubtedly, cases of mismanagement and malpractice in the handling of welfare funds are exceptional rather than typical. Fortune, the magazine, wrote in April of this year: "Given the tens of thousands of welfare funds in the United States, the cases of glaring abuses may be few."

The fact that the cases are few does not mean, however, that they can be ignored. Surely, we of labor cannot afford to ignore them. The amount of unfavorable publicity arising from the glaring few tends to discredit the case of labor generally. Undoubtedly, some employers will seize upon the misuse of funds in one case to deny a proper and justified welfare fund in another trade or industry. The fact that—to quote Fortune—"many of the abuses were practiced with the tacit consent of industry trustees" will not deter a grasping employer from denying welfare funds to his employees so long as he can point to abuse of funds anywhere. Whether justly or unjustly, the employer will use the abuse as a weapon against all labor.

Although in the main these funds are by law jointly administered by employers and unions, organized labor has the responsibility of helping to clean up these funds so that the idea generally may not be discredited by an irresponsible and grasping few. The American Federation of Labor officially recognized this responsibility in a recent resolution of the executive council urging the international unions to take steps to put welfare funds on a clean and businesslike basis, to insure proper administration of health and welfare funds.

The problem of keeping union welfare funds clean is, in many respects, akin to curbing racketeering when it, too, seeks to worm its way into the ranks of organized labor. The main problem, though not necessarily the sole problem, is at the local level. All attempts to intervene are immediately resisted as interference with the local autonomy of the local union.

In the case of union welfare funds, locals and joint councils have negotiated agreements that make local and council officers trustees for funds running into millions of dollars. Since in more than 90 percent of the cases it is the local or the joint council that generally makes the agreement, it is the same body that finds itself naturally and properly participating in the control of these funds.

A number of rackets have sprung up. Special insurance companies are created to act as carriers. Overnight consultants mushroom into existence to claim fees. So-called insurance agents and agencies appear out of nowhere to cut fat commissions. The practice of insurance companies of giving commissions to these agents—even where no agent is involved and no commission warranted—instead of reducing rates to these funds is one of the most important sources of corruption. It is not my purpose here either to detail the abuses or to point the accusing finger at anyone. That has been done in detail—and, unless the abuse is halted, the accusing finger of the newspapers and the law will embarrass the entire labor movement, punishing all for the sins of the few.

It is my purpose to raise the question of how to deal with the local or joint council—or even higher body—that is permitting or indulging in the misuse of welfare funds.

Out of our own experiences, I can tell how one international union tackles this problem. The ILGWU's program has gradually evolved not so much in response to actual abuses as in a steady effort to avoid the development of such abuses in the first place. I quote our experiences not because they are typical but because they may be so nontypical as to raise the question of inevitable action by some other agencies outside the ranks of labor.

In December 1953 the net resources of the health, welfare, and retirement funds of our various locals and joint boards affiliated with the ILGWU was $129,579,578.16. These 124 separate funds are handled autonomously by the locals and joint boards, scattered across many States and many cities.

The key to the proper policing of these funds lies in the international union's practice of auditing the local's books. This right of the international union to audit the books of the locals goes back many years in the ILGWU. The auditing of the local books—including the local health and welfare and retirement funds—by a well-trained corps of international auditors is the key to vigilant policing.

A companion to our international audit is the publication by the international of the full financial facts about the welfare funds administered by locals and joint boards. How much received? How much paid out? And how much toward administrative costs?

It is in respect to this last item—administrative costs—often covering a variety of strange practices, that publication of the thoroughly audited facts will check many abuses.

These supervisory controls over welfare funds are imbedded deep in our ILGWU constitution. Section 12 states:

"The general secretary-treasurer shall publish in the official publication of the ILGWU annual reports giving a summary of the income and disbursements of all funds of union and the general office, after audit by the auditing department of the ILGWU."

Out of this power to audit, to publish and to police has come a general supervisory practice, contained in article 4 of the Constitution:

"The health and welfare funds committee (of the international) shall have general power of supervision and coordination over all health and welfare funds, retirement funds or other similar funds. * * * It shall strive to bring about uniformity in such plans, to the extent that it is feasible * * * no plan, bylaw, rule, or regulation or amendment thereto, and no provision establishing new benefits or altering benefits already established * * * shall become operative * * * until the same has received the approval of this committee."

Certain general regulations concerning the handling of welfare funds are contained in our constitution. Article 15, section 2, for instance, specifies:

"All moneys received by a local union, joint board or other subordinate body for the benefits of its membership, as contributions to a fund described in section 1, shall be deposited and held in an account separately maintained under the name of such fund. The moneys in such account shall be used only for the specific purpose of such fund and for the administrative expense thereof, and shall not be used for any other purpose. No loans shall be made therefrom to the LU, JB, or other subordinate body or to any of the members thereof. The surplus moneys or reserves of such a fund shall be invested only in securities which have received the approval of the health and welfare funds committee of the GEB. All bonds or other securities representing investments of such funds shall be placed in safekeeping under the joint control of representatives of the ILGWU, designated by the health and welfare funds committee of the GEB."

Since the juggling of administrative costs is responsible for much of the shenanigans in fund abuses, our regulations put a limitation on this item of expense. Article 15, section 4 declares that "an expenditure of 5 percent of the total contribution to any such fund in any 1 year shall be deemed a reasonable administrative expense." This 5 percent includes the cost of auditing employer payrolls to make certain that the proper amounts are being paid into the fund. It (the 5 percent) also covers administration of vacation benefits—a costly item to administer—that in the ILGWU alone is part of the employer-contributed health and welfare funds. It should be added that in the case of retirement funds the administrative cost is limited to only 3 percent.

These welfare funds are self-insured, that is, they are not farmed out to insurance companies but are administered by local and board committees under international policing and supervision.

Ours is a system that combines local control and operation of welfare funds with international supervision and policing, that we refer to as controlled autonomy.

I do not cite our practice in order to induce other unions to copy our model. Our practice is the outgrowth of our history, our experience, our industry, and union structure. Our right to audit local books goes back some 40 years, preceding the establishment of any regular welfare funds.

I cite our practice, indeed, because I know that some international unions are seeking to set up methods of control over local welfare funds, thus far without any success.

The resistance on the part of local units, including very honest local units, has been too great. The desire for local autonomy has been raised to a principle that refuses to yield to any kind of international supervision.

It appears to me that under these circumstances, where labor recognizes the existence of a real evil—no matter how limited—and where the internal union structure does not provide controls for the elimination of abuses that the pressure for legislative action to control union welfare funds will inevitably mount.

American labor has traditionally and properly resisted all efforts on the part of governmental agencies to interfere with the conduct of internal union affairs. We felt that to open the door to interference is to allow a wedge to be driven into our "house" that could ultimately shatter the union home we have so laboriously built. For that reason, we have opposed Government intervention in union elections, strike votes, handling of funds in the general treasury, etc.

We have also resisted all Government intervention for fear that politicians would use Government agencies in acts of reprisal against unions that may have opposed them at the polls.

Public report of abuses in some union welfare funds, however, makes legislative intervention more and more likely, and perhaps inevitable. The internal structure or unwillingness of some unions to deal with this problem among their units, where an abuse does develop, leaves the trade union movement in a weak position to argue against governmental intervention.

Many rank and file trade unionists, with a long and passionate devotion to the freedom and independence of free trade unionism, know that any form of governmental intervention in union affairs is an evil. But when these same unionists see some of the welfare funds squandered and misused by racketeering elements, some of whom are muscling their way into the trade unions precisely in order to get their hands on these welfare funds, many rank and filers and leaders will come to look upon governmental intervention—to protect welfare funds—as a lesser evil.

Antilabor legislators will seize upon this situation to advance legislation that will merely use the evil as an excuse for punitive legislation directed against labor as a whole. Needless to say, any such legislation, conceived against labor and put through without any regard to the wishes of the responsible spokesmen for labor must be fought with every ounce of energy we have.

But in the face of the evil that does exist, we must begin to think about lending our support to legislation that may call for publication of the financial facts about welfare funds, including administrative costs and commissions, or that may set a minimum code of propriety and responsibility in the handling of these funds.

The nature of our reaction to such legislation, it seems to me, must inevitably be affected by the ability of the trade union movement itself to set up standards and methods of enforcing these standards among its units. If there are structural barriers or an unwillingness within some unions, making needed controls impossible or unlikely, then it seems to me that the trade union movement will have to support some measure of legislative action to protect union members and their families against abuse of welfare funds.

This is a positive alternative, in my opinion, to any attempt on the part of anti-labor legislators to seize upon a limited evil in some unions as an excuse to attack or weaken the labor movement as a whole.

Welfare funds are a new area of labor-management relations and a new form of union-membership relations. Overwhelmingly, these funds are a source of strength to unions and of security to workers and their families.

As our unions face new problems, we must find new answers. We must know when and how to adjust traditional rights and privileges so that we may attain new strength and fulfill new responsibilities. It is in this vein that I propose that labor take a positive approach, a constructive approach, toward legislation—conceived with a proper respect for labor's rights—to end the abuse of union welfare funds.

[From the Washington Post and Times Herald of July 8, 1954]

UNION WELFARE FUNDS

Vice President David Dubinsky, of the American Federation of Labor, is to be congratulated on his candor and good judgment in calling for legislation to halt the squandering and misuse of union welfare funds by racketeering elements. The need for governmental supervision of such funds has been obvious since they first came into use. Up to now it has been vigorously fought by organized labor. Mr. Dubinsky acknowledges that trade unionists have traditionally opposed any form of governmental intervention in union affairs. But abuses in the handling of these funds have become great enough that he now thinks Government regulation to be a lesser evil.

In regard to this one item the effect of Mr. Dubinsky's statement is to line up the AFL with President Eisenhower in seeking amendment of the Taft-Hartley Act. In his message to Congress last January the President said:

"It is my recommendation that Congress initiate a thorough study of welfare and pension funds covered by collective bargaining agreements with a view of enacting such legislation as will protect and conserve these funds for the millions of working men and women who are beneficiaries."

If such an investigation had been made, it would doubtless have revealed a widespread demand among members and leaders of trade unions for legislation of this kind. Why has the subcommittee headed by Representative MCCONNELL, which has been given this assignment, been so tardy in getting its inquiry under way? Obviously it is now too late to get action on any welfare fund legislation from the 83d Congress. The investigation ought to go forward, however, with the object of determining what type of control over union welfare funds is required. Incidentally, the most effective way of improving the Taft-Hartley Act, in view of the rejection of the administration bill for this purpose, may be to legislate on one item at a time as the need for specific changes in and additions to the present law becomes pressing.

[From the New York Times of July 5, 1954]

FOR LABOR'S WELFARE

Courage and good sense are qualities we have come to associate with David Dubinsky. The president of the International Ladies' Garment Workers' Union has demonstrated both of these virtues in the advice he has just given his colleagues in organized labor on legislation to control abuses in the administration of union welfare funds.

Mr. Dubinsky feels that the huge sums handled by such funds and the malpractices that have been allowed to develop in some of them makes some form of Government regulation inescapable. In an article published in the official magazine of the American Federation of Labor he urges that labor drop its traditional hostility to any Government intervention in its internal affairs and get behind legislation intended to set up a "minimum code of propriety and responsibility" for the conduct of welfare funds.

Mr. Dubinsky fears that a continued resistance on labor's part to any type of public supervision would give unfriendly legislators an excuse for forcing through laws that would punish all unions for the evils of a few. Every investigation has demonstrated that the great majority of welfare funds are honestly run. Mr. Dubinsky's own union has a particularly distinguished record in administering programs that take in $54 million a year in employer contributions.

It would be harmful to the community, as well as to labor, if the frauds that have been uncovered in some funds became the basis for a blunderbuss attack on unions generally. Labor can best avoid this by heeding Mr. Dubinsky's words and cooperating in the formulation of sound standards for insuring the integrity of the benefit plans that mean so much to millions of American workers and their families.

ATOMIC ENERGY COMMISSION CONTRACT

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to have printed in the body of the RECORD at this point in my remarks an excellent editorial entitled "Mr. FULBRIGHT versus Humbug," which was published in the Washington Evening Star of July 12, 1954.

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

MR. FULBRIGHT VERSUS HUMBUG

Senator FULBRIGHT belongs to what is described as the liberal wing of the Democratic Party. He also has always been, and still is, a strong supporter of the Tennessee Valley Authority. So it is a particularly impressive fact that he has come out with a vigorous full-dress defense of the President's directive to the Atomic Energy Commission to negotiate a 25-year contract with two private companies for construction of a powerplant at West Memphis, Ark.

Arkansas, of course, is Mr. FULBRIGHT's home State, and certain benefits would naturally accrue to it from the building and operation of such a plant. But that is not the real reason why he has spoken out as he has in the Senate. The real reason, as he has put it, is that the proposed contract "has been so viciously attacked, and I think so unfairly and so erroneously attacked, and figures have been so freely used without justification, that someone simply had to say something about the actual facts."

Broadly speaking, the proposal's critics (mostly the Democratic liberals) have made the following major charges, among others: (1) That the AEC has no legal authority to negotiate the contract in question; (2) that the President has exceeded his powers in issuing his directive; (3) that the directive constitutes a sort of sly, underhanded move that would misuse one of the Nation's most vital and sensitive agencies to initiate a policy that could ultimately destroy TVA for the benefit of the private utilities; and (4) that power from the projected plant would cost the Government between $3.5 million and $5.5 million more a year than equivalent power from facilities that TVA could build at Fulton, Tenn.

These and similar charges, however, have been effectively rebutted by Mr. FULBRIGHT. True enough, his Friday speech does not constitute the last or most authoritative word on the subject, but it certainly presents a persuasive case in favor of the proposed contract—an arrangement under which the private companies, at a cost of about $107 million, would build a 600,000-kilowatt plant whose output (which would be for nongovernmental consumers in the Memphis area) would be fed into the TVA system to make up for a comparable amount of TVA

power now being delivered to the atomic installations at Paducah, Ky. Clearly, judging from Mr. FULBRIGHT's argument, the AEC's legal right to negotiate such a contract and the propriety and validity of the President's directive seem to be wholly beyond question.

Further, from the standpoint of the economics involved, Mr. FULBRIGHT has powerfully challenged the figures of the opposition. Using the present AEC-TVA Paducah contract as a yardstick, he has presented a table showing that power from the West Memphis project, far from imposing an additional annual cost of up to $5.5 million, would cost only $282,000 more a year than power from the TVA. And above all, in addition to citing other advantages inherent in the proposed arrangement, the Senator has stressed the important fiscal fact that it would obviate the need for a Government outlay of about $100 million that would otherwise have to be spent on new TVA facilities during the next 3 years.

A summary of this sort cannot do justice to all the points raised by Mr. FULBRIGHT. Suffice to say, however, that his speech—taken together with the statement just issued by the Budget Bureau—makes much of the criticism of the directive look like the sheerest sort of humbug. As he sees the proposed contract, there is nothing immoral, illegal, or wrong about it in any way. On the contrary, he welcomes it for what it plainly seems to be—an honest and aboveboard effort to cut down on Federal outlays and encourage free enterprise in a manner that will serve the national interest without hurting TVA.

Mr. FULBRIGHT. Mr. President, the next item I must mention distresses me, and I am reluctant to mention it. I have the highest respect for the New York Times, a great newspaper. I have known some of their representatives, such as Reston, Krock, White, Knowles, and others, who are uniformly outstanding leaders in their profession. Naturally I am distressed that, in contrast to the Star, which accepted my speech on the Atomic Energy Commission versus the TVA controversy in good faith and discussed its merits, the New York Times merely questioned my motives. I read from a part of the editorial:

At the moment, however, Mr. FULBRIGHT seems to be torn between his approval of TVA and his desire as an Arkansan to have a private dam built in West Memphis, Ark., with an Atomic Energy Commission contract to furnish power to TVA to replace power that the TVA is now feeding into the atomic energy plant at Paducah. * * * As a Democrat he is not bound to defend a Republican President's policies. Can it be that he feels a moral obligation to support the West Memphis Dam because West Memphis (population 9,112 in 1950) is in Arkansas? We pause for a reply. Maybe it will be forthcoming before the week is out and the debate is over.

Mr. President, my answer can only be to refer the editor to my speech, and beg that he consider the facts which I have presented and which I believe to be correct. If the editor will do that, he will discover that I was not and am not concerned about, as he says, a "a private dam built in West Memphis, Ark."

To dam the Mississippi at West Memphis would be quite an undertaking. I would guess that such a dam would have to reach from the Ozark Mountains to the Alleghenies, and would probably cost $100 billion, and inundate the United States up to and including Chicago, and probably the Chicago Tribune. That might be a worthy enterprise, but I did not advocate it.

No, Mr. President; in reply to the editor, I wish to say I merely recommend that private enterprise be given an opportunity to share in the making of power for the Atomic Energy Commission, if it can do so on a reasonably comparable basis, which I believe it can do.

I hope the editor of the New York Times will honor me by reading my speech in the CONGRESSIONAL RECORD. I believe he will agree that I made no recommendation regarding a private dam across the Mississippi River at West Memphis, Ark.

MARYLAND TOBACCO AND SWISS WATCHES

Mr. BUTLER. Mr. President, the question of tariffs on Swiss watches is now the subject of considerable discussion and controversy. This problem poses certain ramifications which concern the people of the State of Maryland, as it unquestionably would affect the people of other areas. By way of emphasizing this situation, I ask unanimous consent to have printed in the body of the RECORD an editorial which appeared in the Baltimore Sun this morning.

Mr. BEALL. Mr. President, I join in the request of my colleague. I may add that on February 12, 1954, the Tariff Commission concluded its hearings on a petition of watch manufacturers for an increase in rates on Swiss watch imports. On May 28 the Commission reported its recommendations to the President, who has 60 days from that date in which to decide the case.

It seems a little incongruous that the tariff on Swiss watch movements is of such great importance to the tobacco growers in southern Maryland—but it is a perfect illustration of how complex our world economy has become.

The simple fact is that if the Swiss do not receive dollars from the sale of watches to the United States they will be unable to buy a great many American products, including southern Maryland tobacco.

In amount the export of United States tobacco and wheat to Switzerland in 1952 was about the same as in 1950, and exports of cotton were up substantially. The value of these 3 commodities exported to Switzerland is about equal in value to the imports of Swiss watches.

This morning the Baltimore Sun printed a very comprehensive editorial on this situation, and I think it is deserving of our attention. The Sun points out that the Swiss purchase about one-sixth of the total Maryland crop, and because they buy top quality tobacco Swiss purchases account for about one-third of the total cash receipts. In addition, the Sun explains, Switzerland buys about $11 worth of American farm products per person per annum, and about $29 worth of manufactured goods. The United States buys only about $1 worth of Swiss products per person per annum.

Swiss watches and Maryland tobacco are probably a relatively insignificant part of the total world commerce, but I know of no better example of how local economy is tied in so directly with the economy of a small European country.

Mr. President, as I stated when I began my remarks, I join in the unanimous consent request of my colleague that the editorial from the June 13 issue of the Baltimore Sun be printed in the RECORD.

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

MARYLAND TOBACCO AND SWISS WATCHES

It is a long way from the humid flatlands of southern Maryland to the crisp village of the Swiss Alps. A Maryland tobacco grower and a Swiss watchmaker would have a hard time communicating with each other face to face. Yet, by the ramifications of trade, their interests and their livelihoods are closely interlocked.

This is how it works. Switzerland likes Maryland tobacco. It is the largest outside buyer, purchasing each year about one-sixth of the Maryland crop by volume. Since it buys the higher grades, its purchases in cash amount to about one-third of the total.

The only way the Swiss can buy Maryland tobacco is by selling Swiss products. Switzerland's principal export to the United States, accounting for more than half the total, is the jeweled watch. The Swiss watch industry, built up over the past 250 years, has some 450 export factories. Their product is tailored mainly to the United States market.

In more general terms, Switzerland buys about $11 worth of American farm products per person per year, and about $29 worth of American manufactured goods. The United States buys about $1 worth of Swiss products per person per year.

It is against this background that the tobacco growers of southern Maryland are urging President Eisenhower to turn down a Tariff Commission recommendation that the duty on Swiss watches be increased.

The large watchmakers in this country have argued for the increase. Their arguments are not wholly without merit, but they have been overstated. It is not quite true, for example, that the large watchmakers provide the sole source of skilled workmen for the making of weapons timing devices. Nor are the earnings statements of the manufacturers quite persuasive of serious injury from Swiss competition.

This is not the first time the question has come up, nor the first time the tobacco growers have fought an increase. Two years ago, a Tariff Commission recommendation called for higher duties on Swiss watches. President Truman turned it down, not specifically to favor Maryland tobacco men but on the broader principle of increased international trade versus commercial isolation.

The administration in Washington has changed since then, but the principle has not.

SHIPBUILDING CONSTRUCTION FACILITIES

Mr. BUTLER. Mr. President, on several occasions earlier in the session I have presented to the Senate facts concerning the ship construction industry in the United States, indicating the urgency of measures to provide new ship construction work immediately in order to prevent the closing and possible bankruptcy of construction facilities the maintenance of which is essential to national security.

In this connection, I have a letter from the Shipbuilders Council of America which is much to the point. While appreciative of the pending measures to provide for naval, tanker, and passenger ship construction, the Council's president, Mr. L. R. Sanford, emphasizes that the bills now pending do not offer any sound prospect of actual new ship construction this year.

Without some new contracts affording prospects of immediate initiation, the Shipbuilders Council's letter goes on to say, some of the shipbuilding yards, particularly those without any naval construction work, will be forced into a standby status, presenting to management the dilemma of whether to try to continue the yards on such a standby basis, or to liquidate them completely.

Anyone who gives a moment's thought to the part American shipyards played in winning World Wars I and II, and in carrying on the Korean conflict, will agree, as I do most emphatically, with the Shipbuilders Council's statement that neither contingency is pleasant to contemplate. To quote from the letter:

> The former (standby status) is very expensive, not only for the period of idleness but long thereafter, as it will take about 2 years to reassemble and train adequate working forces of skilled craftsmen. * * * Complete liquidation obviously does irreparable damage to the mobilization base for shipbuilding deemed essential and adequate by the Department of Defense.

To prevent the disruption of the country's shipbuilding facilities, upon which such tremendous dependence would be placed in any future emergency, the Shipbuilders Council seconds a suggestion previously made by Adm. William D. Leggett, Jr., Chief of the Bureau of Ships, United States Navy, before our Senate subcommittee on April 26, 1954. Admiral Leggett declared it to be his opinion that an emergency shipbuilding program of at least 20 ships annually should be initiated promptly to prevent the impending shutdowns of the shipyards. Mr. Sanford suggests that the Congress give immediate consideration and approval to such an emergency shipbuilding program, and provide an appropriation of $150 million to implement it.

As Admiral Leggett warned, and as many of the representatives of the strategic shipyards of the country have emphasized before our subcommittee, such legislation cannot wait. The bills now pending will not suffice because the interim between their enactment and actual beginning of construction is too long. Many of the yards will have been closed down in the meanwhile.

The proposed 20-ship-a-year program could and would be effective, however, Mr. Sanford points out, through cooperation by the Maritime Administration in selecting for construction types of tankers and cargo vessels which already have been designed by the former Maritime Commission as the types to be constructed in the event of another war shipbuilding program. These are of advance design, and the experience of constructing them now would be of inestimable value in the event of a future war construction program, in addition to providing vital work now to keep the yards operating and to upgrade the active merchant fleet.

So important do I consider this suggestion, so vital do I think it to be, that in my scheduled visit to the White House this week, to discuss merchant-marine and shipbuilding matters, I shall discuss with the President the urgency of having the administration give its full sanction and approval to such a program, and to back such sanction and approval with a request for the necessary funds.

I can only repeat once again that the Congress would be laying the country open to the most serious danger if, through failure to provide new ship construction that the shipyards can undertake immediately, we allow a great proportion of these vital facilities to be shut down.

I ask unanimous consent that Mr. Sanford's letter and the pertinent portion of his statement be printed at this point in my remarks.

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

SHIPBUILDERS COUNCIL OF AMERICA,
New York, N. Y., July 1, 1954.

Hon. JOHN M. BUTLER,
Chairman, Subcommittee on Water Transportation,
United States Senate,
Washington, D. C.

MY DEAR SENATOR: Your letter of June 30 in connection with S. 3546 has just come to hand and is greatly appreciated.

Naturally the council and its constituent members could not do less than comply wholeheartedly with your request for assistance after you had taken the initiative to bring the present plight of the shipbuilding and ship repairing industry to the attention of the Congress, the administration, and the public at large. Our appreciation is due you for taking that action.

I have read with great interest the subcommittee report and I trust that S. 3546 will receive the sympathetic attention of the Congress which you so firmly believe will be the case. Its passage accompanied by the appropriation of the necessary funds will supplement such commercial and naval repair work as is presently available. The combination of all three will enable the ship repair yards to continue operations at a more nearly normal level.

At the present time most of the ship repair yards are operating at a level well below normal with somewhat disastrous results as to employment and as to the prospect of remaining solvent. Equally important is the fact that the accomplishment of the work contemplated by S. 3546 will place in operating condition certain strategic vessels now laid up in the several reserve fleets so as to make them almost immediately available on M day, at a time when the ship repair yards inevitably will be immediately called upon to undertake a volume of other work far beyond available capacity.

As you and I have discussed several times, there is an acute present need for immediate work in both the shipbuilding and ship repairing yards. S. 3546 will help out the ship repairing yards to some extent. It is equally important that some shipbuilding contracts be made available now in such form as to permit actual ship construction in the ship building yards to commence this calendar year. The several bills now pending before the Congress covering ship construction, in one form or another, do not, as of the moment, offer any sound prospect of actual ship construction this year, although, undoubtedly some of them, if passed, will provide some ship construction next year.

In the meantime, the seagoing merchant vessels now under construction, all based upon contracts placed prior to November 1952, since which time there has not been a single order placed for a seagoing merchant ship of 2,000 gross tons and over, are rapidly nearing completion, and vital skilled shipbuilding forces are rapidly being dispersed by layoff due to lack of work. Without some new contracts affording prospect of immediate ship construction, some of the shipbuilding yards, particularly those without any naval construction work, will be forced into a standby status, presenting to management the dilemma of whether to try to continue the yards on such a standby basis or to liquidate them completely. Neither contingency is pleasant to contemplate. The former is very expensive, not only for the period of idleness but long thereafter, as it will take about 2 years to reassemble and train adequate working forces of skilled craftsmen. A heavy percentage of the reassembled force will inevitably be green men. During that period operations will be inefficient and uneconomical. Complete liquidation obviously does irreparable damage to the mobilization base for shipbuilding deemed essential and adequate by the Department of Defense.

It seems to me necessary to initiate an emergency shipbuilding program somewhat analogous to the emergency ship repair program embodied in S. 3546, to provide some immediate shipbuilding activity in order to tide the shipbuilding yards over until a more comprehensive long-range shipbuilding program can be prepared and authorized next year.

With that thought in mind, at a hearing held yesterday on H. R. 9253, relative to merchant ship construction in American shipyards, I urged Congressman TOLLEFSON, acting chairman of the House Committee on Merchant Marine and Fisheries and the members of that committee to press for passage in this session of the Congress an interim emergency shipbuilding bill of the nature suggested by Adm. W. D. Leggett, Chief, Bureau of Ships, United States Navy, in his statement before your committee on April 26, 1954. Incidentally, Admiral Leggett reiterated that same suggestion before the House Committee on June 29.

I am enclosing herewith for your information copy of my statement presented to the House Committee on June 30 and call your attention particularly to pages 14 to 16 inclusive thereof. I believe they are self-explanatory.

If you can see your way clear to support such a suggestion on the Senate side, as I am hopeful Congressman TOLLEFSON and his committee will do on the House side, I believe that you and I will accomplish the double-barreled objective which we both have in mind for relieving the critical situation in both the shipbuilding and ship repair yards.

If further, you, Congressman TOLLEFSON, and myself, in our proposed meeting with the President, can convince him that such a double-barreled program is in the national interest and thus entitled to his support, it would seem that your hope, which is equally mine, of the beginning of a brighter era for the vital ship construction and repair yards of our Nation, may indeed be ultimately realized.

With kindest regards, I am

Sincerely,

L. R. SANFORD,
President.

Mr. BUTLER. Mr. President, Admiral Leggett in his statements presented to the Water Transportation Subcommittee of the Senate Interstate and Foreign Commerce Committee on April 26,

1954 strongly urged that the Government sponsor what he called an interim emergency program of 20 ships to supplement the naval ship construction program which he admitted was inadequate to maintain the shipbuilding yards in that state of availability for the mobilization potential required by the Department of Defense.

Admiral Leggett unquestionably realized the very condition that I have stressed today, namely, that most of the several programs of ship construction covered by legislation now under consideration, even if promptly and favorably acted upon, could not possibly result in actual shipyard construction before some time next year, whereas the critical situation in the shipbuilding industry makes it necessary that some shipbuilding be inaugurated at once so that actual ship construction work in the shipyards be started at the earliest possible date of this year.

Such an interim emergency ship construction program of 20 ships would require that the plans and specifications for the ships to be constructed be now ready or at least in such condition that they could be made ready almost immediately so that invitations for bids could be issued just as soon as the necessary congressional authority and the funds for the program are authorized. This program, to be effective for the purpose for which it is intended, must be passed and the funds made available before Congress adjourns this present session.

The Maritime Administration should be in a position to proceed with such a program immediately it is authorized. The types and numbers of each type should be determined by that Agency, but probably would consist of modified C3's and T5's. These two types of vessels, cargo and tanker, are those designed by the former Maritime Commission as to the types to be undertaken, in the event of another war shipbuilding program, to take the place of the C types and T2's of the World War II shipbuilding program. They are of advanced design and the experience of constructing them now would be of inestimable value later in the event of another war shipbuilding program, in addition to providing vital work now, which in effect would be a head start on any such program.

It is therefore most strongly recommended that, as the first step in implementing H. R. 9253 to provide merchant ship construction in American yards, the Maritime Administration be authorized to immediately proceed with an emergency program of up to 20 ocean-going vessels of types the construction of which may be undertaken immediately and that a sum of at least $150 million be appropriated to finance such a program. For the purpose of maintaining the shipbuilding mobilization base envisioned in the Murray report, awards of contracts should be made as the result of competitive bids, subject to the limitation that not more than 3 such vessels may be awarded to any 1 shipyard.

Actual costs vary in different localities depending upon industrial conditions and shipyards are compelled to bid their actual costs. The limitation of not more than 3 vessels to any 1 shipyard will prevent the shipyard or shipyards that may happen to be most favorably situated costwise from monopolizing the work and will afford the geographical distribution so essential to the maintenance of the industry and to the broadest possible mobilization base.

This proposal should stand upon its own feet and be considered in addition to any other existing legislation covering shipbuilding before the present Congress, as these other bills cannot be relied upon to do what this proposal is intended to do, namely, provide sufficient shipbuilding of an essential nature to carry the shipbuilding industry over on an active basis until a 60-ship construction program to be prepared for the next Congress can be made effective.

If a proposal such as this is not enacted in this session, certain shipyards may not survive and, in that event, the shipbuilding mobilization potential will have been substantially curtailed.

PROFIT SHARING

Mr. WILEY. Mr. President, I was recently pleased to receive from one of the leading businessmen of my State, Mr. H. F. Johnson, president of S. C. Johnson & Son, Inc., of Racine, Wis., a copy of the latest research report of the Profit-Sharing Research Foundation, entitled "Profit-Sharing Patterns."

I desire to commend this report to my colleagues and to all those folks in American industry who are seeking answers to the need for encouraging greater peace, stability, and prosperity in American industry.

Mr. Johnson knows whereof he speaks on this subject because for 32 years he has been actively engaged in practicing profit sharing with the employees of his distinguished company. The Johnson plan had been started by Mr. Johnson's father 5 years before Mr. Johnson, himself, had entered the business. It is estimated that there are some 300 different profit-sharing plans in American industry today. While profit sharing is no panacea, and, indeed, can encounter exceedingly difficult problems of its own, unless it is extremely carefully planned and implemented, I believe that it represents the type of forward-looking, constructive, typically American procedure which well merits sympathetic consideration.

Mr. President, I desire now to refer briefly to another subject.

The PRESIDING OFFICER (Mr. PAYNE in the chair). The Senator from Wisconsin has the floor.

INTERNATIONAL STRENGTH OF THE COMMUNIST PARTY

Mr. WILEY. Mr. President, many of my colleagues no doubt noted that a Communist Party survey in Moscow estimates that there are 30 million members of the Communist Party throughout the world.

It is interesting to note that the Senate Foreign Relations Committee Subcommittee on Security Affairs, in its print on world Communist strength, estimated that the various national Communist Parties in some 60 countries have a possible membership of 24 million.

The Moscow survey, incidentally, points out that there is not a single country in the world without a Communist movement, legal or illegal.

There has been tremendous interest in the Senate Foreign Relations Committee study on this very subject, and I am hoping that the Senate Rules Committee will authorize reissuance of this 78-page booklet which has been in such tremendous demand that the supply of copies has been exhausted.

I send to the desk the text of the New York Times dispatch quoting Reuters News Agency. I ask unanimous consent that it be printed at this point in the body of the CONGRESSIONAL RECORD.

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

TOTAL REDS HELD UNDER 30 MILLION—MOSCOW PARTY MEMBER TALLY INCLUDES CHINA AND U. S. S. R.—60,000 SEEN IN UNITED STATES

LONDON, July 1.—Communist Party members throughout the world total fewer than 30 million, according to the latest figures published in Moscow.

Yet, under Communist sway today are countries totaling more than 900 million persons. They include the 200 million of the U. S. S. R. and the 600 million of China.

Today, there is not a single country in the world without a Communist movement—legal or illegal—according to a Moscow survey, now available here. It asserted that there was a membership of 60,000 in the United States.

The survey, giving a country-by-country breakdown of the membership of Communist and Communist-controlled workers' parties, is published in a booklet called The Agitator's Notebook, issued by the central committee of the Soviet Communist Party.

The membership figures illustrate the Moscow principle that there should be a restricted quality, rather than quantity, membership in the party.

The Communist Party member is regarded as a leader and tutor of the masses. In the Soviet Union and several other Communist states, a candidate has to pass severe tests and close scrutiny before being accepted as a full party member and there are periodical purges to keep the membership up to standard.

The Soviet Communist Party counted approximately 7 million members at October 1952, when the last Soviet Communist Party congress was held. The Chinese Communist Party has a membership of about 6,500,000.

MEMBERSHIP IN SATELLITES

The Moscow survey gives the following approximate membership figures of Communist Parties in the satellite countries of Europe and the Far East:

Czechoslovakia	1,600,000
Poland	1,300,000
Hungary	900,000
Bulgaria	455,000
Albania	45,000
East Germany	1,400,000
Korea	1,000,000
Vietnam	700,000
Total	7,400,000

The survey pays no attention to the 700,000 members of the Yugoslav League of Communists, since this party has declared itself independent of Moscow.

The survey says that other countries where Communist Parties are banned are Spain, Portugal, Greece, Turkey, Iraq, Iran, Jordan, Egypt, Libya, South Africa, and also "the overwhelming majority of the countries of

Latin America." (Guatemala is not mentioned in the survey.)

In France and Italy the membership figures given are: France, 800,000; Italy, 2,120,000.

Membership figures for other capitalist countries are listed thus:

United States	60,000
Britain	35,000
Belgium	100,000
The Netherlands	50,000
Denmark	50,000
Sweden	60,000
Finland	50,000
Japan	100,000
India	60,000

The survey does not quote figures for Norway, Iceland, or West Germany.

In the Far East, no membership figures are quoted for Burma, Malaya, Thailand, Ceylon, the Philippines, or Indonesia.

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

Mr. WILEY. I yield.

Mr. FERGUSON. The Senator has referred to Moscow's estimate of the strength of the Communist Party. In the article which the Senator from Wisconsin has had printed in the RECORD I note that the Communist Party membership in the United States is estimated at 60,000, which is more than the total number estimated by the FBI.

Mr. WILEY. Of course I would expect Moscow to exaggerate the figures.

Mr. FERGUSON. Or perhaps the Communists may know how many members they have in the United States.

Mr. WILEY. Perhaps they are correct. Nevertheless, I would much rather accept the figures of the FBI than figures in any communication from the Communists in Russia. However, the article does present a challenge, and that challenge is that we must always be alert, because in all the countries of the world Moscow has members of the Communist Party who are constantly infiltrating.

EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT OF 1954

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (H. R. 5173) to provide that the excess of collections from the Federal unemployment tax over unemployment compensation administrative expenses shall be used to establish and maintain a $200 million reserve in the Federal unemployment account which will be available for advances to the States, to provide that the remainder of such excess shall be returned to the States, and for other purposes.

Mr. GILLETTE. Mr. President, I have joined with the junior Senator from Massachusetts [Mr. KENNEDY] and a number of other Senators in sponsoring an amendment to H. R. 5173, the unemployment compensation bill now before the Senate. Our amendment has a clear and simple purpose: To raise the amount and extend the duration of payments to unemployed persons covered by the unemployment-insurance system.

At the present time my State of Iowa is suffering considerable unemployment, especially in areas where farm machinery plants are located. While the total number of men out of work in Iowa may not be comparable with that in other more heavily industrialized States, several communities in my State have been hit very hard. For some months cities such as Burlington, Ottumwa, and Davenport have been classified among the areas of the country most seriously affected by unemployment.

Our average weekly benefit to an unemployed person in Iowa amounts to about $21. The maximum benefit possible under present law is only $26 a week, the minimum $5. Coverage extends for only 20 weeks.

In several of our communities large numbers of workers who were laid off because of a drop in production have long since exhausted their unemployment compensation and are forced to depend on local charities and family welfare societies.

The amendment offered by the Senator from Massachusetts and others, including myself, will by no means solve the problems facing unemployed people in my State or any other State.

But it is such a distinct improvement over the bill reported to us by the committee that it merits the support of every Senator concerned for the well-being of the American people. It establishes new national standards for unemployment-compensation programs—a longer period of coverage, 26 weeks; and a larger amount of weekly benefit—a maximum of not less than two-thirds of the State's average weekly wage and not more to any individual than 50 percent of his own weekly wage. The so-called Reed bill, pending before us, establishes no standards whatever, even for the expenditures of funds by the Federal Government through the States.

In the last 24 hours I have secured from my State of Iowa a number of case histories which, better than all the arguments we may advance here, illustrate the individual human problem we are discussing:

Case No. 1: An individual employed by the John Deere Tractor Co., in Waterloo, Iowa, was laid off on November 18, 1953. He filed for unemployment benefits immediately upon dismissal. On November 21 he sought relief from the Family Service League in his community. Two months later, on January 19, he finally received his first unemployment-compensation payment, which was, of course, insufficient to support him, his wife, and his four children. Supplementary assistance had to be given by the Family Service League. His 20 weeks of benefits ended. He is still unemployed. He must still obtain aid from the local private- and public-relief agencies, and further burden his local community. Passage of the Kennedy amendment would most certainly be of help to the thousands of people whose case histories resemble the one I have just cited, and would also relieve to some extent the tremendous burden on local relief agencies where heavy unemployment has struck.

Case No. 2: An individual employed in the Ottumwa plant of the John Deere Tractor Co. was laid off in late September last year. He applied for unemployment compensation on October 5. Offered a job in a gypsum plant in Fort Dodge, he discovered after a day's work that he was physically incapable of performing the new job. Returning to Ottumwa, he was denied unemployment benefits on the grounds he had quit his job. His case was appealed to the commission, which overruled the deputy. On the 1st of April 1954 he received his first unemployment compensation check, after 5 months without a job and without unemployment compensation. He had to depend on assistance from county welfare agencies and on his union. He is a World War II veteran, with four children, and a fifth child on the way. He had 3 years' employment with the John Deere Co. before being laid off.

The original bill proposed by the Senator from Massachusetts [Mr. KENNEDY] and others would have established standards for disqualification which in all likelihood would, if adopted, have prevented the long delay which the individual cited in case No. 2 was obliged to undergo. The present amendment omits standards for disqualification, but only because the sponsors hope, by limiting controversy, to secure approval of at least the most important provisions relating to amount and duration of benefits. I hope that in the next session of Congress we can enact truly adequate standards in this vital area of economic legislation. If the Senator from Massachusetts reintroduces his bill for higher standards, he will have my determined support.

Case No. 3: A World War I veteran aged 53 was laid off from his tool-and-die shop in Des Moines in mid-May this year. He has applied for unemployment compensation but as of this morning has not received his check. He has three children and is receiving some soldiers' relief. While the difficulty in his case appears to be caused by administrative delays in processing his application, and therefore would not be materially helped by adoption of the proposed amendment, I think it illustrates how far from adequate this whole unemployment-compensation program still is. When the blow strikes and a family man, whatever his age, is out of a job, surely we must be able, in this rich and thriving land, to provide him with the compensation he is entitled to as soon as physically possible, to make the compensation bear some adequate relation to the cost of living, and to let it endure for at least 26 weeks.

Mr. President, I am in favor of the entire substitute proposal which the Senator from Massachusetts and other Senators offered on July 1, but if we cannot secure favorable action on it, then the least we can do is to enact these minimal provisions extending coverage to 26 weeks and increasing the amount of weekly unemployment payments to people who have lost their jobs.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point an article dealing with the unemployment problem in Iowa, published in the Cedar Rapids Gazette of July 4, 1954.

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

EMPLOYMENT PROBLEM IN IOWA GRIM; 35,000 JOBLESS

(By Ed De Mar)

DES MOINES.—Iowa's unemployment problem is grim and shows few signs of getting any better, George E. Moore, State employment director, said Saturday.

Moore estimated that 35,000 Iowans are out of work, compared with 20,000 6 months ago. The total now represents about 3½ percent of the State's working force of 1,025,000 persons.

At the beginning of the year, Moore expressed optimism that the number of unemployed would not grow to more than 2 percent. Saturday Moore declined to give any midyear prediction.

"But businessmen are very pessimistic over conditions this fall and winter," Moore said. "We can see no particular upsurge in employment in the near future."

However, Moore emphasized that Iowa "is still better off than most of the Nation." He pointed out that Iowa's unemployment work force percentage "is less than half the national average."

Part of the unemployment problem is the failure of Iowa's economy to keep pace with its growing population.

In nonfarm employment, for example, there were 12,000 more persons at work in May this year than in February, but the number of nonfarm workers unemployed continues to grow because of an influx of high-school graduates.

Moore estimated the number of nonfarm workers in the State at 616,000 in February and 628,000 in May, compared with a high of 648,000 in October 1953.

"If the economy does not advance," he said, "we will have a rise in unemployment because new workers are constantly being added to the labor market."

Three Iowa cities have been placed on the Federal Department of Labor's critical surplus labor list since January 1. A city must have a minimum total working force of 15,000 and a total estimated unemployment of more than 6 percent to be listed.

The cities are Burlington and Ottumwa, which were added to the list within the last 2 months, and Davenport, which hit the list in March.

All were hard hit by the slump in farm-machinery manufacturing.

Mr. PASTORE. Mr. President, I am opposed to the pending bill, H. R. 5173, known as the Employment Security Administrative Financing Act of 1954, in its present form. Allegedly, the purpose of this bill is to strengthen the Federal State employment security program by providing that all taxes collected under the Federal Unemployment Tax Act shall be devoted exclusively to the basic principles of this program. Such is not the case.

The adverse trends in business and industry of the past 6 months have caused increasing concern in all quarters for the well-being and future courses of our American economy. While it is true that during the past weeks we have had several encouraging reports of an upward trend in reemployment, there is still reason to believe that our delicately balanced economic system is somewhat out of gear. This is shown in the decline in business activity and in the larger number of unemployed who are desperately striving to find jobs in order that they may live in the way to which they have been accustomed, a way in keeping with American standard of living, which, indeed, is the envy of the entire world.

Our economy must be put back on an even keel, and all of its component parts must be made to function smoothly again. Jobs must be provided for the jobless. For so long as we have within our society men and women who are willing and able to work and cannot find employment, the morale and the aspirations of our people will be seriously impaired. It is necessary that income be made adequate to the high cost of living. Purchasing power must be maintained, not only to assist the individual involved, but also to buttress the entire business structure.

While it must be admitted that such a dynamic industrial economy as ours cannot always keep to an even course, and while it is true that by its very nature it is subject to periodic ups and downs in response to underlying forces in our scheme of things, yet when we have indications of widespread unemployment, together with a high-price level, we must, of necessity, realize that something has gone wrong and that the forces of government and industry must be utilized so that they can work together in order that a reasonable solution may be found to correct the situation.

Because of the complexity of our economy, it is only natural to expect that even experts will disagree on the kind of treatment needed to adjust some of the more delicate influences which sway our economy. We are, therefore, accustomed to finding diversity of opinion in this field. This, of course, is only natural.

We do not fully understand, and no one could be expected to fully understand, the part played by the various influences in the operation of the intricate pattern of our economy. But, on the other hand, there are fields in which we can be more sure of ourselves in combating our economic ills, fields in which the remedies are simpler and can be more readily applied.

I feel that if we attack our economic problems on a local basis as they arise, we will be in a much better position to overcome them rather than to wait until they have spread over the whole economy and gotten out of hand, as happened during the depression years. Once the entire economy has gotten out of control, it becomes almost impossible to set it right again.

We must always remember that the economy of each individual State taken together makes up the fullness of our national economy, and that when one State suffers, the entire Nation suffers, either directly or indirectly.

My State, for example, is a manufacturing State. More than 90 percent of its gross product is manufactured for export into the other 47 States. This means that when Rhode Island workers are out of jobs, this is so because the demand elsewhere for the goods they produce is not there. So whether or not Rhode Island has full employment depends on the economic atmosphere in other parts of the country and, in a slight degree, on the situation in other parts of the world.

Therefore, to say that the unemployment problem in any particular State is strictly the responsibility of that State and of no concern to the Nation, in my opinion, begs the question somewhat and shows a complete misunderstanding of our American economy. Consequently, if economic misfortune strikes any one of our States or any particular area, the rest of the Nation cannot afford to remain complacent and unconcerned under the delusion that this ailment will remain localized. Whether we like it or not, we are all in the same economic boat. The disaster that befalls one area today can and probably will strike some other area tomorrow.

Mr. KENNEDY. Mr. President, will the Senator from Rhode Island yield?

Mr. PASTORE. I yield.

Mr. KENNEDY. Is it not a fact that Rhode Island has had a tax on industry of 2.7 percent for several years, and the amount paid in Rhode Island is substantially below that in any other State? Is it not also true that has not been because of Rhode Island's careless handling of its funds, but due to the fact that there has been chronic unemployment in the textile industry in Rhode Island?

Mr. PASTORE. Going a step further, from the very inception of the unemployment compensation program, with the exception of 2 years, which means 15 years from the time we inaugurated the unemployment compensation program, the tax on Rhode Island industry has been 3 percent, which is the highest rate ever paid in any State in the Nation.

The steady spreading of our current economic decline to one area after another in the past 6 months should remove all doubt or smugness as to this possibility. The maintenance of a healthy economy requires soundness in all its component parts.

If one State is allowed to remain distressed for too long, this economic cancer will speard its evil into every State of the Union. Therefore, if we think of the remedy for our economic ills first of all in local terms, and try to find it before the economic ills are allowed to spread, then I believe that much of the solution will be found to the problem of avoiding a national catastrophe.

The first and most simple remedy to help in checking economic decline on a local basis is a strong, solvent, equitable unemployment-insurance program. This system for coping with the hardships resulting from the periodic rise and fall in business and employment has proved itself valuable over the past 17 years of its operation. It has established itself as a major buttress of our wage-earning industrial economy. An adequate system of unemployment benefits, by providing continued income to the idled worker and helping to sustain the purchasing power needed for the business life of the community, serves as a most practicable balance wheel for keeping the economy as a whole on a steady level through the inevitable periods.

Both this administration and the former administration have recognized the value of and the need for a strong system of unemployment insurance in their recommendations that coverage of workers be extended and the amount and duration of weekly benefits be liberalized in the various State programs.

Valuable though unemployment insurance is, its continued operation over any extended period is threatened by the falling fund reserves in some States, and, if I may be permitted to say so, such is precisely the case in my own State. In Rhode Island, as in other States, the current low reserves have occurred under the existing benefit provisions which, by no stretch of the imagination, have been as liberal as those now recommended by this administration. The current reserves in Rhode Island would thus be in greater jeopardy or insolvency if the more liberal provisions recommended by this administration were adopted. In fact, I am willing to admit that under the present prevailing conditions, it would be impossible for Rhode Island to adopt these recommendations without some kind of Federal assistance.

I hasten to add that I agree with the philosophy that inspired these recommendations and, if at all possible, they should be adopted in order to provide a more adequate wage offset to workers, in view of the persisting high cost of living. But the basic question remains: How could Rhode Island and other States finance this sorely needed liberalization of benefits when we have no assurance of solvency under our present less liberal provisions?

This can come about, as I have already stated, only through a procedure of reinsurance of Federal nonrepayable grants, usually referred to as reinsurance of State benefit funds against insolvency.

I know there are those who will throw up their hands in horror when I mention the words "nonrepayable grant," but let me point out that the money to which we are referring in H. R. 5173 comes from the employers in the various States.

At the present time the surplus over administrative costs reverts to the general fund of the United States Treasury, and there is no requirement that this surplus be used to pay unemployment benefits.

When the farmer suffers from a drought, or for any other reason, the Federal Government hastens to his assistance. This is exactly as it should be. So, too, should not the Federal Government come to the assistance of our unemployed workers who are eligible for benefits under the unemployment compensation program and yet cannot receive these benefits under available funds unless we either cut down the benefits to a ridiculously low level or further paralyze industry by raising the contribution rate to an exorbitant extent, thereby adding insult to injury?

That the Federal Government should assume some measure of responsibility for the solvency of State funds is entirely consistent with the nature of our economy. While unemployment manifests itself on a local basis, it is actually generated by forces beyond the control of any one State or area and lies deep within the complex nature of our national economy as a whole. Therefore, unemployment in any area is rightly the liability of the total economy of the Nation and should, in some measure at least, be the concern of the Nation as a whole.

Federal participation in the field of unemployment financing is not without precedent. A principal analogous to Federal reinsurance is already applied in disbursing Federal funds for administration of the State jobless benefit programs. These funds are provided by a tax of 0.3 percent on covered employer payrolls, but the amount allocated to the various States is determined by their need, rather than by the amount contributed by their industry to this Federal funds.

In doing this, we recognize and establish the philosophy that certain States, in order to provide the essential service and the businesslike administration that is needed, should be given outside help, not on the basis of contribution, but rather on the basis of need.

The essence of this philosophy, I think, should be applied with reference to whatever help we intend to give the various States whose surpluses are low, and who, for that reason, cannot maintain the uniformity of benefit payments which is likewise essential in a sound program of unemployment insurance.

Under the pending bill, H. R. 5173, a State is required to repay a loan which is negotiated under the terms of this bill by a year from the following January. This provision would only worsen the position of the industries in the borrowing State, industries which are already suffering serious handicaps, geographical and otherwise, in their competition with industries in other States. Under the terms of this bill, any State which finds itself in the position of having to borrow could ill afford to do so realizing that in too short a time the obligation imposed upon it to pay back the borrowed money would only constitute another unbearable burden on an already weakened economy. In fact, the help we profess to give under this bill is no help at all. It is like throwing a 25-foot rope to a man drowning a mile off shore. The intention is good, but the effort is indeed weak and in vain.

It is my considered judgment, therefore, that if we do nothing else by way of amending this bill, we must liberalize the repayment features, thereby placing a borrowing State in a position to reinvigorate a faltering economy and create a more favorable climate in order to maintain and develop its industry.

Rhode Island's fund level currently stands at approximately 3.9 percent of the taxable payroll. This is a dangerously low level, and the reserve could very well be wiped out by 1 or 2 years of heavy unemployment, such as we experienced in 1949. But even several years of moderately heavy drains could cripple the fund and wreck the employment-security program completely.

Despite a slight slowing down in the unemployment rise, our jobless total in Rhode Island still represents about 13 percent of our labor force.

There will be those who might say that much of Rhode Island's present situation is of her own doing. This is absolutely not the case. There are 29 States whose maximum benefit rates constitute a higher percentage of the average weekly wage than is the case in Rhode Island. Mind you, Mr. President, 29 of the 48 States in the Union pay more than is paid in Rhode Island. Seventeen States have maximum weekly benefit rates of $30 or more, while 14 States have maximums of from $26 to $28 per week. There are 31 States whose maximums are above those paid in Rhode Island. The present rate in Rhode Island is $25 a week, for a maximum of 26 weeks.

Rhode Island's present position really is due to an economy in which there is a high degree of industrialization, such as textiles and jewelry. Efforts have been made and are being made to bring more diversified industries into Rhode Island. This is a long hard task, but one which I feel we are meeting successfully.

There are only two alternatives open to us. Unless we liberalize the repayment terms of this bill, we will find ourselves in the position of either cutting down our benefits to a ridiculously low level—and they are already low by comparison with other States—or increasing industry's contribution to the fund to a figure which will be the highest in the Nation, the natural result of which will be to drive out our present industry and make it impossible to attract new industry.

I have taken the liberty of pointing to my own State because I know the conditions there better. But, well as I know the condition there, I warn my colleagues that other States can find themselves in a similar position. If the Congress of the United States feels that a program of nonrepayable grants or reinsurance is inadvisable, a position with which I strongly disagree, and a position with which I hope there will be many others who will disagree, then I submit that unless we adopt more liberal terms in the repayment of loans, as provided in the existing bill, we are in fact doing nothing to help States which need the loan.

Therefore, I take the position that unless we do something to liberalize the repayment features of H. R. 5173, it would be much better for the economy of the Nation for us not to pass this bill at all, thereby affording us an opportunity to watch the situation very closely, and to come back at the next session of Congress with better knowledge and understanding of the conditions which will affect the future of our American economy. Once the money goes back to the States, as proposed in the bill, I am afraid we will have put a solution to this serious problem beyond our reach.

I realize how attractive it is to argue that the money should not go into the general fund of the United States Treasury; that it should be returned for the benefit of the States which make contributions to the administrative fund. I realize how difficult it is to beat down that pressure and advocate a period of longer waiting in order better to judge

the drifts of our American economy. However, I firmly believe that with the present repayment conditions in this bill, we will accomplish little, if anything at all, in helping those States which will first experience the impact of a declining economy.

If the spirit and the intention which gave birth to H. R. 5173 are indeed to strengthen the Federal State Employment Security program, then I say either liberalize the repayment features, to which end I have already proposed an amendment which I shall call up later, or vote the bill down, with the hope of finding the right solution at the next session of Congress, when we will know more about our unemployment situation.

Mr. LEHMAN. Mr. President, will the Senator from Rhode Island yield for a question?

Mr. PASTORE. I yield to the distinguished Senator from New York.

Mr. LEHMAN. I am very glad, indeed, that the Senator has so clearly brought out the plight in which some of the States will find themselves if they avail themselves of the loan privilege provision of the bill. According to the report, the $200 million fund which is described in the bill will be available to States with depleted reserve accounts, for the purpose of assisting them in the administration of their unemployment benefit payments. Obviously, only those States which are in a serious financial condition regarding their unemployment insurance funds will or could avail themselves of that privilege. But how they will be able to repay the loan as is required by the bill, is totally incomprehensible to me. The bill provides that they must repay the amount within a limited period, either through a transfer of funds from the trust funds, at the direction of the Governor, or to accept a decrease in the 90-percent allowable credit against the 3 percent for the unemployment tax. And that deduction will be increased to 5 percent each year thereafter.

That would seem to me, obviously, to pile debt upon debt, a debt which the State could not possibly repay to the Federal Government unless it at the same time was willing materially to reduce the already very small unemployment insurance payments which were being paid to its unemployed residents.

Mr. PASTORE. If the Senator from New York will permit me to say so, the bill goes a step further than that. Under the arrangements provided in the bill, insofar as the repayment features are concerned, the bill requires that unless a State pays back the money borrowed by a year after the following January, then that State can claim only, in the first year, a contribution of 85 percent on each dollar paid to the fund, instead of 90 percent. In other words, there is provided a punitive imposition of an additional 5 percent tax on industry. Then, if that amount is not paid back in the first year, there is imposed another 5 percent penalty, which means that a State then receives a credit not of 85 percent, but of 80 percent. Then if that is not paid, there is imposed, in the third degree, another 5 percent penalty, which means that a State which is already depressed will be able to receive credit only to the extent of 75 cents on each dollar paid to its unemployed. Unless the State could pay the loan out of money surpluses, it would have to impose an additional tax on an already depressed industry in order to meet its obligation.

The Senator can see what would happen. First of all, industries would be driven out. There would not be a chance of attracting new industry to that State. All the bill does is to express a pious hope of help, but so far as actual help is concerned, it would not help at all.

I was hoping the distinguished Senator from Colorado [Mr. MILLIKIN] would be present when I made my statement, because I think what I have just stated is essentially the crux of the defects of the pending bill. It imposes a new penalty on an already depressed industry to the tune of 15 percent during 3 years, which means that it will not only make worse a situation which is already bad, but will actually drive out present industry and will not attract any new industry. As a matter of fact, any State which would borrow money under this plan would be foolish. It might just as well make up its mind now that it is going to stop imposing a tax of 3 percent, and start imposing a 4-percent tax on payrolls and try to meet its obligations as best it can.

Mr. LEHMAN. Mr. President, will the Senator from Rhode Island yield further to me?

Mr. PASTORE. I yield.

Mr. LEHMAN. Of course, it is unnecessary for me to say that I am in complete agreement with the statements which have been made by the distinguished Senator from Rhode Island. Enactment of the bill as reported would inevitably lead to one of two things: either to an increase in taxation, which would drive out industry; or to a serious further decrease in what already are completely inadequate compensation payments to unemployed workers of the State, and thus impose a hardship—possibly an unusually severe hardship—on the workers of the State, and an inevitable lowering of theilr standard of living.

The Senator from Rhode Island is so completely correct in his position on this matter that I feel certain he has made a very great contribution to the consideration of the pending legislation by speaking as he has today. No State could possibly avail itself of this so-called privilege, which in fact is no privilege at all unless it already was in difficulties in regard to its compensation funds; and the operation of the bill as reported by the committee would merely add additional burdens to the great burdens which many of the States already are carrying.

Mr. PASTORE. Mr. President, I wish to give to the distinguished Senator from New York a graphic example. First, let me say that under the terms of the bill as reported, no State could borrow one nickel until its surplus had fallen below the amount of the entire collection of the previous year.

In very simple terms that means that the State would be unable to repay. It would be similar to the case of a man who came to one of us on Monday and said: "I am going to be paid on Friday of this week. Will you lend me $10 until then?" Let us assume that the person to whom he made the request was very magnanimous, and replied: "Yes; I will lend you $10, but you must repay me tomorrow." His friend would reply: "How can I repay you tomorrow? I just finished telling you that I will not be paid until Friday. So it will be impossible for me to pay you back tomorrow." In short, the bill provides, in effect, "We will lend you the money you need, but you must begin to repay the money 1 year from next January."

Mr. President, unless there were some hokus pokus in the operations of our economic structure, how would it be possible for the economy of any State to be rectified within 2 years, short of a war? Can the Senator from New York tell me how that could possibly be done?

Mr. LEHMAN. I cannot tell the Senator from Rhode Island how it could be done, because in my opinion it would be an absolute impossibility to do it.

Again I wish to congratulate the Senator from Rhode Island for the very able, useful, and valuable speech he has made on the floor of the Senate this morning.

Mr. PASTORE. I thank the Senator from New York.

Mr. President, I wish to repeat, for the benefit of the very astute Senator from Colorado [Mr. MILLIKIN], that the bill as reported by the committee amounts to no more than the expression of a pious hope. But from the practical point of view of giving help to someone who is in need of help, even with the hope of paying back the money—and I do not wish to question that too much, if it is the intent of Congress—the bill as reported would do absolutely nothing at all, for nothing that could possibly happen, short or war, could raise the economy of a State within a period of 2 years sufficiently to enable the State to pay back the money without imposing punitive penalties on its industries by raising within a period of 3 years their contribution by an added 15 percent. In my opinion, that would cause a tremendous national catastrophe.

So I hope the Senator from Colorado will give serious thought to that phase of the problem, when I call up my amendment.

Mr. President, I yield the floor.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, its reading clerk, announced that the House had passed the bill (S. 1276) to amend the Bankhead-Jones Farm Tenant Act in order to increase the interest rate on loans made under title I of such act, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the concurrent resolution (S. Con. Res. 79) to express the sense of the Senate on continuing the operation of a tin smelter at Texas City, Tex., and to investigate the need

of a permanent domestic tin-smelting industry and the adequacy of our strategic stockpile of tin, with amendments, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

H. R. 5158. An act for the relief of Sgt. Welch Sanders; and

H. R. 5433. An act for the relief of the estates of Opal Perkins and Kenneth Ross, deceased.

CONTINUANCE OF OPERATION OF TIN SMELTER AT TEXAS CITY, TEX.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the concurrent resolution (S. Con. Res. 79) to express the sense of the Senate on continuing the operation of a tin smelter at Texas City, Tex., and to investigate the need of a permanent domestic tin-smelting industry and the adequacy of our strategic stockpile of tin, which were, on page 1, line 6, after "Congress", insert ", and the tin produced may be transferred to the national stockpile", and to amend the title so as to read: "Concurrent resolution to express the sense of the Congress on continuing the operation of a tin smelter at Texas City, Tex., and to investigate the need of a permanent domestic tin-smelting industry and the adequacy of our strategic stockpile of tin."

Mr. SALTONSTALL. Mr. President, I have taken up this matter with the majority leader and the minority leader. The amendment of the House of Representatives is a permissive one, not compulsory. It will not change the substance of the concurrent resolution as adopted by the Senate.

Therefore, Mr. President, I hope the Senate will concur in the amendments of the House of Representatives, and thus obviate the necessity of the resolution being sent to conference.

Mr. JOHNSON of Texas. Mr. President, will the Senator from Massachusetts yield?

Mr. SALTONSTALL. I yield.

Mr. JOHNSON of Texas. Will the Senator from Massachusetts tell us the effect of the amendment adopted by the House of Representatives?

Mr. SALTONSTALL. I shall be glad to do so. Let me say that the purpose of the concurrent resolution is to continue for 1 year—until Congress has had a chance to investigate and to determine whether there should be a further continuation—the operation of the tin smelter owned by the Government, at Texas City, Tex. The concurrent resolution as adopted by the Senate provided that operation of the smelter should be continued, and authorized the creation of a committee, but the Senate eliminated from the concurrent resolution a provision to the effect that the tin produced at the smelter should be added to the stockpile of the United States Government. That change was made because it was thought that the stockpile was ample or could be ample, let me say, without going into security reasons, and that such a restriction should not be imposed.

The amendment adopted by the House of Representatives adds a provision to the effect that the tin may be transferred to the national stockpile, but the amendment does not require that it be added to the stockpile. Thus, the amendment is merely permissive, in the opinion of Mr. Mansure and Dr. Flemming, the heads of the two agencies concerned.

So, Mr. President, I can see no objection to the amendment of the House of Representatives, inasmuch as it is a permissive amendment.

Therefore, I ask the Senate to concur in the amendment of the House.

Mr. JOHNSON of Texas. Mr. President, I should like to ask another question of the distinguished chairman of the Armed Services Committee: In his opinion, is the amendment necessary in order to have tin produced at the smelter?

Mr. SALTONSTALL. It is not.

Mr. JOHNSON of Texas. Then the amendment is superfluous, inasmuch as there is already on the statute books a law which provides that the tin may go into the national stockpile, if that is desirable, whereas the House has added an amendment to the same effect.

Mr. SALTONSTALL. I appreciate the comment the Senator from Texas has made, and I believe he is correct.

Mr. JOHNSON of Texas. Mr. President, in view of the fact that the amendment of the House of Representatives does not change or add anything to the existing law, I see no necessity for the amendment, although I do not particularly object to it. Certainly, it seems to me there is no necessity, after the passage of a law, to reiterate it from time to time.

On the other hand, I agree that the Senate should concur in the House amendment, and thus speed final action on this measure.

Mr. SALTONSTALL. Mr. President, I move that the Senate concur in the amendments of the House of Representatives.

The motion was agreed to.

NATURALIZATION OF CERTAIN FORMER CITIZENS

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 1303) to provide for the expeditious naturalization of former citizens of the United States who have lost United States citizenship by voting in a political election or plebiscite held in occupied Japan, which was, in line 4, to strike out "plebescite" and insert "plebiscite."

Mr. WATKINS. Mr. President, in the Senate bill the word "plebiscite" was misspelled. The correction of the spelling is the only amendment.

I move that the Senate concur in the amendment of the House.

The motion was agreed to.

PROPOSED CONSTITUTIONAL AMENDMENT TO REQUIRE ANNUAL BALANCING OF THE BUDGET

Mr. BRIDGES. Mr. President, I should like to request the serious attention of this body to a fiscal policy in the Federal Government whose discontinuance is, in my opinion, long overdue.

The distinguished Senator from Virginia [Mr. BYRD] and I propose that the Government put an end to the practice of financing operations through the medium of an interest-bearing charge account that is never paid. This is precisely what we have been doing for the past 20 years.

I realize that, in many economic circles, fiscal morality has been largely relegated to the "old hat" department, and that balanced budgets are regarded as vestigial remnants of our remote past. But in spite of these experts, I cannot avoid the conviction that the stability and national security of America are directly dependent upon the stability of the American dollar, which in turn, depends upon our shutting off this fantastic charge account on which the Federal Government has come to depend. The time to start is right now.

II

If my position on this matter requires collateral support, it may be found in President Eisenhower's address of June 10, in which he predicted 40 years of costly defense, and called for a fiscal program which the country could sustain for a long, long period of time.

During the past 20 years most of our serious fiscal problems have been dealt with on an emergency basis. Each issue was considered a nonrecurring crisis, a milestone in history, the crossroads of our destiny, and what have you.

No one would deny that emergencies of great magnitude which strike the Nation unexpectedly must be dealt with by heroic means, whatever the financial cost may be. But we have been deceiving ourselves concerning the unpredictability of these fiscal problems. We cannot honestly say that there is anything unexpected about the emergency which faces us now, and is likely to face us for the next 40 or 50 or even 100 years.

We are going to have to stop using the words "emergency" and "crisis" and find a new name for our problem, and a new method of dealing with it.

I suggest that the problem of expensive national defense has become, to all practical purposes, a permanent one. I urgently suggest that we face the problem of fitting this permanent situation into our permanent American way of life. This is not merely something we should do: It is something we must do.

III

This return to orthodox financing should not be a psychological strain on the Nation because the one practice which has always set America apart from most other countries is our stubborn habit of not spending any more than we can pay. As a result, for almost 150 years we had a reasonably stable dollar, which in turn, contributed

to the maintenance of a stable government.

But during the 20-year period which has elapsed since the Federal Government opened its multibillion-dollar interest-bearing charge account, the value of the American dollar has been cut in two. Theoretically, if we were to continue the same policy and continue to depreciate our currency at the same rate for the next 40 years, in 1994 the American dollar would be worth about 12½ cents.

However, there is little chance that our currency depreciation would work that way because, if history tells the truth, somewhere along the line the flood of money would burst its bounds and our entire money structure would have to be repudiated and revalued at ruinous rates.

Under these circumstances it would be virtually impossible to carry on an orderly defense program except under martial law, or under a dictatorship whose directives would carry the power to supersede the normal economic relations between people and people and between government and people.

As a result one of two things would happen. Our national defense would be weakened or our civil liberties curtailed. There will be voices from high places that will belittle these fears and assure us that no such dangers exist because with modern techniques this interest-bearing charge account can be manipulated and kept under control ad infinitum.

In fact, there have already been proposals that deliberate inflation at a predetermined rate would be a good thing for the country because of the tested and proven methods of keeping the inflationary mechanism under precise control. Regarding this proposal, I can only say that among the few things of which I am certain concerning economics—and I am certain of very few things—is that nothing is certain despite the experts.

Economic behavior is human behavior, and no one—not even the person himself—can predict what he is going to do under certain circumstances. We must not put our trust in any scheme involving the manipulation of money. For national stability and safety, there is no substitute for a balanced budget.

It might be well for me to state at this point that I do not propose that the Federal Government be stopped from the use of its credit. The intricacies of Government finances require a flexibility that can only come from the use of credit. But that use should be limited to 1 year.

My proposal, therefore, is that the Federal Government be required to retire any such debt during the 12-month period following its creation.

A question that naturally arises concerns the disposition of the existing Federal debt. In my opinion, this debt, or most of it, as well as the cost of servicing it, will have to be regarded as semipermanent factors in our economy.

At least one thing seems certain—the disposition of our existing debt is a problem for future Congresses—not this one. But regardless of what can be done concerning the sins of the past, we must pledge ourselves to sin no more.

V

I do not believe that I should try to include in these remarks any technical description of the monetary inflation process.

Among the supposedly popular advantages of money which becomes progressively cheaper, is that people who owe money can cheat their creditors. In other words, a person can build a house with borrowed money consisting of 100 cent dollars and pay off the loan with 50 cent dollars. I have never subscribed to this theory. I have always found Americans to be fundamentally decent and honest. And actually the theory itself does not apply to Americans. That procedure is difficult enough to understand even when studied from a book.

But there is one basic principle, understandable to everyone, that should be made a part of these remarks, the essence of which is that monetary inflation is unnecessary and benefits no one.

I should like to present this argument to the Senate in the phraseology I found in a little elementary primer on money.

The passage is entitled "The Cost of War Is Not Money," but it could read "the cost of government at any time is not money":

> The economic cost of fighting a war, although measured in money, is not money: It is used up goods and services.
>
> Certain things are needed by the armed services, and because they must be taken from the people, the Nation suffers a lower scale of living.
>
> For example, in World War II, about 50 percent of the national production was purchased by Government.
>
> But taxes were not 50 percent: They were only about 30 percent, leaving the people about 70 percent of their income.
>
> If the people and the Government had been willing to face up to the real cost of war, that is, if taxes had been at the rate of 50 percent, the Nation would have been on a pay-as-you-fight basis, and there would be no war debt.
>
> This pay-as-you-fight plan would not have penalized people because they could have bought the same quantity and quality of goods and services with the remaining 50 percent of their income as they bought with the 70 percent.
>
> For Government to take away goods and services without taking away the money paid out for their production only conceals the true cost of Government and creates unnecessary debt.

Let us look at this problem from a different angle. In its effect the inflationary borrowing which supposedly relieves the people of taxes is, in itself, a tax.

Let us assume that instead of getting from the people the full cost of the budget, we borrow from the commercial banks an amount equal to 5 percent of the money supply. When this money is spent by the Federal Government departments, there is in the market $105 in search of every $100 worth of goods. So prices go up and the value of the dollar goes down.

The people will get only about 95 cents worth of goods for their dollars. This loss in purchasing power has the same effect as a tax or a capital levy.

I believe that it must be so considered, regardless of the technical explanations that may obscure the facts. To make matters worse, it leaves behind it an interest-bearing debt.

VI

One of the textbook maxims we learned concerning money is that it should be a safe store of value: In other words, people should be able to get as much for their money when they spend it as they gave up when they saved it.

Under our Constitution the responsibility and the power to make the United States dollar a safe store of value rests largely with the Congress.

The private actions of the people—such as undue expansion of private credit—may affect the value of money, but by and large, the control lies in the Congress.

For 20 years we have been manipulating—or at least we have been a willing agent in the manipulation of—the value of the dollar.

A person who had an income from salary or other sources of $5,000 in 1939 now has an income of less than $2,500, even though the number of dollars remains the same. In other words, the United States dollar has ceased to be a safe store of value.

The Federal monetary policy under which this has happened is known as the cheap-money policy, under which money becomes cheaper and cheaper.

We are told by some political experts that this is a popular policy—a policy that wins friends and influences voters.

There is no doubt that in a country where private debt is owned by a few rich people and the debt is owed by millions of poor people a cheap-money policy would be politically popular, but in America private debt is owned by almost everybody, at least everybody who has an insurance policy or a savings account or a Government bond.

For this reason, cheap money in America hurts more people than it helps.

I am convinced that the American people know that cheap money is not, and should not be, a vote getter.

As evidence I quote from a national survey that was made a part of the hearings before the Bricker subcommittee of the Committee on Banking and Currency in April of this year.

In this survey, which was conducted by the Opinion Research group of Princeton, N. J., the people were asked if they would rather get ahead by being able to buy more with their present income or by receiving more money.

Eighty-five percent said they would rather get ahead by being able to buy more with the money they now receive. That is a good American sign.

It is significant, I believe, that there was very little variation of this percentage in any vocational or geographic breakdown. It makes no difference where a person lives in America or whether he is a plumber or a carpenter or a textile worker or a painter, the reaction is generally the same.

VII

At the risk of seeming to be an alarmist, I should like to point out that the political situations surrounding the

chronic use of this interest-bearing charge account serve the purposes of socialism.

The fundamental appeal of socialism is the apparently magical handout from the kindly central government which has declared war on poverty.

The bottomless purse in the hands of a Socialist-minded bureaucracy is the ideal weapon with which to break down the virtues of thrift and industry and destroy the self-sufficiency and personal initiative of the people.

At the same time it is, as we have noted, a form of invisible taxation—a secret capital levy—upon all of the people which can be used to destroy the people's financial stake in their free economy.

Under this policy it is also possible to buy the people's votes with their own money without the people having any knowledge of what is going on.

This charge account policy which we have been following came to America by way of Socialist England.

Its master architect was the late Maynard Keynes, who mysteriously jettisoned a lifetime of sound economics to serve the Fabian Socialist welfare state.

The Keynes plan looks much better on paper than it looks on the record.

As its name implies—the name being compensatory spending—it is supposed to work both ways: when times are bad, the government taxes less than the cost of government and charges the rest; when times are good, government taxes more than the cost of government and uses the surplus to reduce the charge account. The theory is a fascinating one. It is an appealing one.

The only trouble with compensatory spending is that it is not compensatory—it works only one way.

The fact that Keynes, before he died, practically repudiated his own theory, does not seem to dampen the ardor of his American disciples.

VIII

It has been suggested that a balanced budget policy on the part of the United States would alarm our allies, who depend upon us to greater or lesser degrees for economic and military assistance.

I do not believe that this could be true of any well-informed and candid ally.

The basic necessity of a stable currency is certainly known to all, and no other country, except behind the Iron Curtain, would wish to see the United States weaken itself.

Regardless of what may appear in foreign capital newspapers, the foreign statesmen who are really in need of American assistance want America to stay strong and stable.

On a purely peacetime basis, the stability of the Yankee dollar is of tremendous importance to the stability of world trade.

In short, a balanced United States budget could not harm our friends and allies abroad.

IX

Last but not least, I should like to mention the spending pressure to which the Congress is subjected. It is known to every Member of the Senate.

One of the evils of this interest-bearing charge account is the difficulty we have experienced in resisting pressures for special consideration involving Federal expenditures.

As matters now stand, a pressure group or a Government bureau can approach the Congress with the full knowledge that if its story is good enough, it will not have to worry as to where the money is coming from.

I do not mean to infer that the Congress has succumbed to every eloquent spending group by which it has been approached, but I do say that we would be approached by far fewer and our resistance would be far higher if we were to close out our charge account.

A bill recently passed by Congress, which has just come to the attention of the Committee on Appropriations, allows the Committee on Appropriations no latitude whatever as to whether or not the committee shall recommend appropriations. It authorizes a department in the Federal Government to spend money, and to incur obligations which, if Congress failed to appropriate money, certainly would constitute a claim against the Government.

The bill was reported by a committee after hearings. It was passed by the Senate. Later, hearings were held in the House, and the bill was passed by the House. The bill went to conference and was signed by the President. Frankly, I did not know anything about that provision in the bill. I am not a member of the committee that reported the bill. I did not know anything about it until it came before the Committee on Appropriations.

That experience shows that Senators must not only resist pressure, but they must keep both eyes open and both ears open, and must read nine or ten thousand bills, or some such provision as that in the bill to which I have referred will be slipped over.

As matters now stand, there is little we can say concerning the evils of spending that would deter the spending groups.

Of the thousands of witnesses at the hundreds of hearings held by the Committee on Appropriations of the Senate, rarely—I could say almost never—except where a bill involves a local project and there is a local divided interest, do we have anyone appear before the Committee on Appropriations in opposition to big spending.

I see on the floor members of the Committee on Appropriations: The distinguished Senator from New Mexico [Mr. CHAVEZ], the distinguished Senator from Minnesota [Mr. THYE], and the distinguished Senator from Arizona [Mr. HAYDEN]. They will verify what I say, namely, that rarely, if ever, does a person appear before the Committee on Appropriations in opposition to an appropriation or in opposition to spending, unless it involves a controversy of a local nature, where two sides have developed with respect to a particular project. I ask the Senator from New Mexico whether I am correct.

Mr. CHAVEZ. Mr. President, will the Senator from New Hampshire yield?

Mr. BRIDGES. I yield to the Senator from New Mexico.

Mr. CHAVEZ. The Senator is correct. During some 14 or 15 years as a member of the Appropriations Committee I have noticed that there are always at the hearings the boys from the departments who will prove conclusively that it is necessary to give them everything they want. But I have yet to see a member of a department or someone appearing as a citizen who will say, "Yes, we should like to have this money, but for this reason we should not have it." It is a one-sided affair. The boys come up from the departments every year and usually make a fine showing, but we never have a representative of John Q. Public before the committee who will say, "This is very nice, but for this reason we should not do it at this time."

Mr. BRIDGES. The Senator is completely correct. That is the problem which we face. If the people knew that extra spending inexorably brings on extra taxes, the evils of spending would assume a personal significance. John Jones asks for funds for a particular project. He is probably a hero back home, where it is likely that someone who is egging him on and patting him on the back for coming to Washington and demanding big spending. But if he knew when he advocated the particular item of expense that it would bring on higher taxes, and the people back home would have to pay them, he would think for a second time before urging such an appropriation.

Mr. CHAVEZ. Mr. President, will the Senator from New Hampshire yield further?

Mr. BRIDGES. I yield.

Mr. CHAVEZ. Along the line of what the Senator is now discussing, permit me to speak of an instance which occurred in my own State and city. While a revenue bill was being considered by this body a gentleman representing a certain committee of the chamber of commerce in my city telegraphed requesting me to do everything possible to reduce taxes. I replied: "We have the Forest Service, the Soil Conservation Service; we have all kinds of governmental activities. Which one do you wish to cut out?" He did not wish to cut out a single one.

Mr. BRIDGES. That is a good example. I receive a letter from Mr. John Smith, who says, "Now, Senator BRIDGES, we demand that you stand for economy, and we urge you to cut the expense of Government." So I am complimented to hear from Mr. John Smith, and I feel he is taking an active interest in Government.

A few months later I receive another letter from John Smith. This time he wants me to vote for funds for some particular interest which is worthy and appealing to him, but he completely contradicts his original communication. I can produce from the files of my own office and from the files of the Appropriations Committee scores and scores of letters from persons who are well intentioned and who, time after time, urge economy by the letter route, but who later request the Senate to vote to support an appropriation for a particular project in which they are interested.

We must find some definite, particular, precise way to meet this situation. After years of seeing only occasionally, in the course of 2 or 3 decades, a possibility of balancing the budget, the distinguished Senator from Virginia [Mr. BYRD], who has made a study of this subject, and I are submitting a proposed constitutional amendment which we think will be the answer.

I have tried in these remarks to cover the following points:

First. Balanced budgets are essential to national defense.

Second. Balanced budgets are essential to the maintenance of the value of the people's savings.

Third. Balanced budgets do not add to the tax burden.

Fourth. Balanced budgets do not penalize our friends abroad.

Fifth. Balanced budgets would help Congress resist spending pressure.

Mr. President, I send to the desk an amendment for appropriate reference, proposed by the distinguished Senator from Virginia [Mr. BYRD] and myself.

The joint resolution (S. J. Res. 174) proposing an amendment to the Constitution of the United States to provide for the imposition of Federal taxes to provide revenues at least equal to appropriations, except in time of war declared by the Congress or when the United States is engaged in open hostility against an external enemy, introduced by Mr. BRIDGES (for himself and Mr. BYRD), was received, read twice by its title, and referred to the Committee on the Judiciary.

Mr. BRIDGES. Mr. President, before I close I should like to read one or two sections of the proposed amendment. It is very simple, and I think, if it could be adopted, it might at least maintain a solvent America. This is the only time I know of—and I have been in the Senate for 18 years—when there has been a concrete, specific, positive approach offered on the question. I read from the proposed amendment:

SECTION 1. On or before the 15th day after the beginning of each regular session of the Congress, the President shall transmit to the Congress a budget which shall set forth his estimates of the receipts of the Government during the ensuing fiscal year under the laws existing on such date and his recommendations with respect to appropriations to be made for such fiscal year.

Listen to this:

Except in time of war declared by the Congress or when the United States is engaged in open hostility against an external enemy, the total appropriations recommended by the President for any fiscal year shall not exceed the total of his estimates of the receipts of the Government during such fiscal year.

SEC. 2. In the event the Congress, except in time of war declared by the Congress or when the United States is engaged in open hostilities against an external enemy, makes appropriations for the ensuing fiscal year in excess of the total of the President's estimates of the receipts of the Government during such fiscal year reduced by any amount by which the appropriations made for all previous fiscal years beginning subsequent to the effective date of this article of amendment (except fiscal years during which the United States has been engaged in a war declared by the Congress or open hostility against an external enemy) have exceeded the actual receipts of the Government during all such fiscal years, it shall enact measures to raise during such ensuing fiscal year an amount of additional revenue at least equal to the amount of such excess.

I shall skip a little and read section 4:

SEC. 4. No motion in either House of Congress to adjourn for more than 3 days shall be in order during any period of time when the Congress has failed to perform its duty under section 2 of this article.

In other words, Mr. President, unless this country is at war declared by the Congress, or in open hostility against an external enemy, when Congress appropriates money beyond the receipts estimated or beyond the actual receipts of the Government for that year, the Congress of the United States cannot recess or adjourn for more than 3 days at a time until the necessary revenue is provided.

Mr. President and Senators, as I have said, this is a simple amendment. Many persons will attempt to tear it to pieces, but it is stated as simply as it can be stated. If the amendment should be adopted by Congress and ratified by 36 States of the Union, it can save America. If Senators have any love for their country, if they want to keep the United States solvent and stable, for their children and their grandchildren, they could not do better than to support this proposed amendment.

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

Mr. BRIDGES. I yield.

Mr. CHAVEZ. With reference to the preparation of the amendment, which, in my opinion, has much merit, was consideration given to the practice of the executive departments coming before Congress after the regular appropriation bills have been passed, and seeking supplemental appropriations, in an effort to make up for or to secure what the regulation appropriation bills did not provide? I have experienced instances of that kind. Even now, as the Senator from New Hampshire knows, hearings are being held on a supplemental appropriation bill. In my opinion, this practice should not be allowed to continue. If the Budget Bureau has any recommendations to make, I see no particular reason why it should not make them in connection with the regular appropriation bills, instead of waiting until the last days of the session to come before the Committee on Appropriations with a request for supplemental appropriations, and seeking to obtain at the end of a session what they did not see fit to recommend at the beginning of the session. Was any consideration given to that condition?

Mr. BRIDGES. Yes. I agree with the distinguished Senator from New Mexico. He well knows, as I know, that the supplemental bills or deficiency bills, as they are sometimes called—there are two types—are the most dangerous measures which Congress must consider. If the proposed constitutional amendment were ratified, it would apply to and include all supplemental appropriations, as well as regular appropriations, because all the appropriations would have to be acted on within a fiscal year or before the adjournment of Congress.

But the distinguished Senator from New Mexico has hit upon a very great weakness in our system. Instead of appropriations being handled in the regular budget of a department or a bureau, with the approval of the Bureau of the Budget, a department or a bureau may make a request for supplemental appropriations. These are not considered at the time when the regular appropriations, which are frequently made to appear very low, are considered. So the Senator from New Mexico has struck at the nub of the question.

Mr. BYRD. Mr. President, I wish to congratulate the distinguished Senator from New Hampshire, who is chairman of the Committee on Appropriations, upon the very splendid speech he has made. I have been closely associated with the Senator from New Hampshire for a long time, and I join with him in his efforts toward establishing an economically sound Government.

I wish also to pay tribute to the Senator from New Hampshire for the exceptionally able work he has done as chairman of the Committee on Appropriations in reducing nonessential Government expenditures. I am most pleased to be associated with him in the effort which is now being made to improve the budgetary procedure of the Government.

For 25 years—a full quarter of a century—with only 4 exceptions, the Government of the United States has operated in the red, and a balanced budget is not yet in sight.

The deficit for the year ended June 30, 1954, was approximately $3 billion. In this new fiscal year the deficit will be larger because taxes have been reduced faster than expenditures.

It is imperative to stop deficit spending. I cannot conceive that the Government should operate on a permanent deficit basis. If that should happen, the Government would go over the precipice of financial disaster. I concede that the Government is operating on a permanent debt basis, but we must not continue to add to the debt.

In 25 years we have appropriated $1,200 billion or $1.2 trillion. Of this we have expended $900 billion, or $0.9 trillion, leaving unexpended balances on hand as of this date of $143 billion after excluding rescinded and expired appropriations.

At the same time we have taken $675 billion out of the pockets of the taxpayers and loaded $250 billion, or a quarter of a trillion dollars, in Federal debt on their backs within a period of 25 years.

It accomplishes nothing to say that much of this unhealthy fiscal condition was caused by depression and war emergency.

After all wars, except World War II, the war debt has been paid off. That happened following all wars, including World War I.

Actually, a substantial part of the debt we now owe was incurred during the nonemergency peacetime years. Whatever the occasion may have been, the debt is ours, and the full faith and credit of all of us are pledged to pay it

off. At this moment the debt is practically at its alltime high, approaching the $275 billion limit. The Government's contingent debt, embracing guaranteed obligations, is $200 billion, in addition to the direct debt. Some of this contingent debt must in time be paid out of the Public Treasury.

I join Senator BRIDGES, the distinguished chairman of the Senate Appropriations Committee, in sponsoring this resolution just introduced to amend the Constitution providing for a balanced budget, as the Federal fiscal situation is serious and dangerous, and the present legislative procedure for dealing with it is deplorable and inadequate. The need for reform is immediate and urgent.

The great men who framed and laid the groundwork for this great constitutional democracy never conceived of a condition such as has faced the United States during the past 25 years, when the Government has operated on a deficit spending basis, even in peacetime, with the exception of only 4 years. The Founding Fathers believed that excessive spending would be controlled by taxation, but that was something which it was not possible to provide or protect against in the great instrument, the Constitution of the United States, which governs us today. The framers of the Constitution did not conceive that the Government deliberately, year after year, would spend more money than it had, and thus add to the public debt for future generations to pay.

The proposed constitutional amendment attempts to correct that omission, and to require the Federal Government to levy taxes in proportion to the deficit which is caused by excessive appropriations by Congress. Under the amendment the Congress would be required to remain in session in order to raise the revenue essential to cover any deficit which might occur by reason of excessive appropriations. Such an amendment would be the strongest deterrent I can think of to extravagant, wasteful spending.

In simple language, this amendment prohibits deficit spending; if appropriations exceed revenue taxes must be raised to cover the deficit. This would be an effective deterrent to nonessential spending.

Under current legislative practices there is no such thing as a Federal budget in its entirety.

In its practices and procedures Congress overlooks completely the fact that any budget must have two sides, expenditures and revenue. Once the President submits his budget recommendations, Congress, under its present procedures, immediately proceeded to divorce the two sides and they are never reconciled thereafter in the legislative process.

Actually, the Congress never deals directly with the timing of expenditures in large segments of the budget. It acts exclusively on appropriations, which may be spent currently or deferred for years. Present procedures and practices make it extremely difficult, if not impossible, to control expenditures from appropriations previously enacted and not contained in current appropriation bills. By the same token, nearly half of the new appropriations are for expenditure in some future year, with the result that, in terms of current expenditures, congressional action on them is uncertain, and action by future Congresses, is in a measure bound.

In addition, Congress breaks up requests for new appropriations into a dozen or more unrelated bills, which are acted upon over a period of 6 months, with never an opportunity to consider them as a whole.

The effect of these practices and procedures is to destroy the fundamental budgetary objectives.

Congress, in this session, was asked to enact $56.3 billion in new appropriations. This will be added to $86.9 billion in carryovers, in unexpended appropriations previously made, making a total of $143.2 billion.

In this fiscal year expenditures out of new appropriations will total $36.4 billion, and expenditures out of old authorizations which are not before Congress this year will total $29.2 billion. That demonstrates the extent to which Congress lacks control over any current year's expenditure. The fact is that about 50 percent of this year's expenditures do not even appear in current appropriation bills. When we reduce an appropriation bill on the floor of the Senate, we do not know whether we are reducing the expenditures for this year, next year, or 2 or 3 years in advance. There is no way to ascertain that.

Beyond this, more than 35 percent of appropriations on which Congress is acting this year are not for expenditure in the current year.

For years I have advocated a single appropriation bill, so we could see at one time the entire picture of what was to be expended, could know, when we voted for the bill, how much more would have to be appropriated, and could provide in the bill control of expenditure obligations. More than half of the members of the Senate joined me in sponsoring the resolution for that reform. It has passed the Senate three times. It is now pending in the House of Representatives, and I am hopeful that the House will see fit to pass this much needed reform before it adjourns.

In conjunction with the single appropriation bill, I have advocated for years provision for the item veto. So far as I know, the Governor of every State of the Union has the authority for an item veto. I recall that during my service as Governor of Virginia time and time again I exercised that veto power.

I have introduced a proposed constitutional amendment for this purpose, and likewise an item veto bill in the event the objective could be reached by statute. A bill to that effect has been reported by a subcommittee of the Committee on the Judiciary.

I now join with the Senator from New Hampshire [Mr. BRIDGES] in introducing a proposed constitutional amendment which provides that Congress, before adjourning each year, must enact taxes equal to appropriations, plus any deficit carried over into the new year. In brief, it may be summarized as follows:

Under section 1, the President, at the opening of each session of Congress, would submit a budget setting forth both appropriation recommendations and revenue estimates, but the recommended appropriations shall not exceed estimated revenue under tax laws existing at the time.

That in itself would be a great deterrent to increasing the debt, because no one could argue that the Constitution does not provide that the President shall not send a budget to the Congress which is in excess of the revenues existing at that time, or without recommending additional revenues.

If, in any session, Congress enacts appropriations which, in combination with any deficit carried over from the previous year, exceed the revenue estimates, section 2 requires legislation raising additional revenue to cover the deficit.

Under section 4 neither the House nor the Senate may adjourn until estimated revenue and enacted appropriations, plus any previous year deficit, are in balance.

Appropriations are defined in section 3 so that the term covers annual expenditures out of debt receipts, etc., as well as ordinary appropriations.

The amendment, of course, is careful to provide that it is not applicable during periods when the United States is engaged in war declared by Congress or in open hostilities against an external enemy.

Remember that we have a debt of $275 billion, which is equivalent to the actual value of all the physical and tangible property in America, every acre of land, every house, every industrial plant, all the mines, and all wealth of that character. The present debt is equivalent to the full value of that wealth, not considering the contingent liability for other obligations which we have guaranteed on behalf of the Government, which, as I have previously stated, is approximately $200 billion. The latter is in addition to the $275 billion we owe directly.

The following is what I think must be done if we are to preserve the future fiscal security of the United States:

First. Balance the budget by reducing the spending. That is the only way to balance the budget.

Second. Hold the existing debt ceiling at $275 billion. This is more than enough for us to owe.

Third. Reduce taxes after reducing expenditures; it does not make sense to borrow money to reduce taxes.

Fourth. Short of national emergency, there can and should be a moratorium in all new spending programs until the Federal Government is showing a budget surplus.

To implement this program, we should do the following:

First. Provide for a single package appropriation bill as a substitute for the 12 appropriation bills we now have. This would clarify our appropriation procedure. This has already passed the Senate.

Second. Use more effectively the data obtained by outside commissions like the Hoover Commission.

Third. Reduce carryover funds now amounting to about $87 billion and simplify the whole budgetary machinery.

Fourth. Give the President the right to veto individual items in appropria-

tion bills. This has recently been favorably reported by the Senate Judiciary Subcommittee, as I have stated.

Fifth. Amend the Constitution to prohibit nonessential deficit financing, if it cannot be stopped otherwise. Such an amendment is proposed in the joint resolution introduced in the Senate today.

EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT OF 1954

The Senate resumed the consideration of the bill (H. R. 5173) to provide that the excess of collections from the Federal unemployment tax over unemployment compensation administrative expenses shall be used to establish and maintain a $200 million reserve in the Federal unemployment account which will be available for advances to the States, to provide that the remainder of such excess shall be returned to the States, and for other purposes.

The PRESIDING OFFICER (Mr. GOLDWATER in the chair). The Senator from Montana is recognized.

Mr. MURRAY. Mr. President, during the debate on the pending Reed bill, H. R. 5173, and upon the amendments to that bill offered by the junior Senator from Massachusetts [Mr. KENNEDY] and the junior Senator from Rhode Island [Mr. PASTORE], every Senator will have an opportunity to vote to increase the amount and extend the number of weeks' duration of unemployment-insurance payments to millions of unemployed workers. Should the Senate do this, it will be injecting into the bloodstream of our economy an estimated $2 billion a year of high-velocity dollars taken out of unemployment-insurance trust funds.

I have mentioned an estimated $2 billion a year. However, if the administration continues its wait-and-see policy of doing nothing about unemployment other than to offer more easy money to industrial and business interests, which are suffering not from a shortage of plant capacity but from a shortage of customers, unemployment may well increase by late 1954 or early 1955 to 7½ million workers. If that should occur, and we have had the good sense to vote for the amendments offered by the Senator from Massachusetts, then more than $4 billion will immediately be put to work to strengthen mass purchasing power and restore employment opportunities again.

Let it be clearly understood, Mr. President, that this figure of 7½ million unemployed is not mine; it is taken from Fortune magazine—an organ which has the respect and confidence of businessmen. If the administration's word merchants automatically pronounce me a prophet of gloom and doom when they see that I have used a figure of 7½ million unemployed, they will be sadly in error. They should apply such a title not to me, but to Republican Henry Luce, confidant of the president and publisher of the Fortune magazine.

Of course, Mr. President, Members of the Senate have another alternative. They can decide to do nothing about unemployment except to adopt the pending Reed bill as it now stands, thereby undermining the Federal-State unemployment-insurance system created under the Social Security Act of 1935, and insuring its eventual breakup and destruction. That system, I may remind my colleagues, inadequate as it now is, did ease the suffering and economic shock of unemployment during the mild recessions of 1938 and 1949, and during what Republican soothsayers call the rolling readjustment of 1953 to 1954.

Mr. President, I recognize the fact that doing nothing may seem attractive to those who at the 1952 Republican Convention cheered the pledge, given by the now senior Senator from Ohio [Mr. BRICKER], that in the event of a Republican victory the last vestiges of the New and Fair Deals would be destroyed. But my hope is that, face to face with large-scale, long-term unemployment that threatens to become chronic, we shall not wish to go through with the destruction that was pledged in the heat and enthusiasm of that convention and the campaign that followed. I prefer to believe that we shall take action here, by amending this bill, so as to strengthen, instead of weaken, the unemployment insurance provisions of the Social Security Act and the Unemployment Tax Act precisely along the lines recommended by President Eisenhower and Secretary of Labor Mitchell.

I favor the amendments of the Senator from Massachusetts [Mr. KENNEDY] to increase unemployment insurance benefits and extend the number of weeks duration not only because they match precisely President Eisenhower's 5-month-old recommendations but I also favor them and urge the Senate to adopt them because they are right. They are urgently needed not only to ease hardship and suffering among the unemployed and their families but also because the instant large increase in purchasing power that they will release will be as welcome to our economy as water on parched lands. They were right when President Eisenhower made them 5 months ago; they were right when Secretary of Labor Mitchell passed them on to the governors last February; they are right now, in July 1954, when the Senator from Massachusetts [Mr. KENNEDY] proposes that we do something about them before we go home to face our constituents, including between 3 and 4 million unemployed.

Mr. President, as one of the principal sponsors of the Employment Act of 1946 I was dismayed when, in the winter of 1953, President Eisenhower allowed the members and staff of the Council of Economic Advisers, created by that law, to be dispersed, and allowed their work, as required under that law, to lapse for a period of months. But I was somewhat encouraged when he later appointed new advisers who hired a new staff and, in their own way and fashion, resumed the work called for by the Employment Act of 1946.

Last January, I read with deep interest President Eisenhower's 1954 Economic Report to the Congress, called for by the Employment Act of 1946. Let me quote from that message sections bearing directly upon the subject and issue before us now:

> Unemployment insurance is a valuable first line of defense against recession. * * * But even as a first defense, the system needs reinforcement.

In other words, too much of the recession was breaking through the first line, the line of scrimmage, and was getting into the backfield, tackling the quarterback and the fullback and the two halfbacks before they could either pass or run with the ball. By that time, January 1954, the administration had found that simply easing the tight-money policy of the first 4 months of the Eisenhower administration was not enough, and had found that what our economy needed was purchasing power. Now, 5 months later, our economy still needs purchasing power; it needs customers with money to spend to meet their basic human needs.

What did President Eisenhower propose to do about "reinforcement" of the unemployment insurance system? He got quite specific; he got down to brass tacks. I quote again from his 1954 Economic Report, required under the Employment Act of 1946. In regard to the amount of weekly unemployment insurance payments, he said:

> It is suggested that the States raise these dollar maximums so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings.

Clearly, in order to provide "the great majority" with payments equal to "at least half" their wages, the maximums would have to be increased to a level substantially above 50 percent of the average wage. This was spelled out later by Secretary of Labor Mitchell, as I shall show in a moment.

On the question of duration, President Eisenhower recommended:

> It is urged, therefore, that all of the States raise the potential duration of unemployment benefits to 26 weeks, and that they make the amounts available to all persons who have had a specified amount of covered employment or earnings.

Writing to the Governors February 16, 1954, Secretary of Labor Mitchell cited the fact that the Federal Advisory Council on Employment Security at its January meeting "took action supporting the President's recommendations on improving weekly benefits. The Council recommended that in each State, the maximum weekly benefit amount should be equal to at least 60 to 67 percent of the State's average weekly wage."

On duration, Secretary Mitchell told the Governors:

> The President has urged that all States provide 26 weeks of benefits uniformly to all eligible claimants, in order to assure that even in a minor business downturn most workers would remain protected by the program until they could find other jobs.

But today they are not being so protected, Mr. President. Now, 5 months later, we find that more than 600,000 workers exhausted their rights to unemployment insurance payments before finding other jobs—or being recalled to their former jobs. And more workers are exhausting their rights at the rate of 40,000 a week.

And on June 16, President Eisenhower, who knew in January 1954 that only 14 legislatures would meet in regular session in 1954, told his news conference

that he does not intend to call upon Governors to call special sessions of their legislatures to implement his own recommedation of last January and February.

So now, in July 1954, with employment in manufacturing continuing to fall steadily, with most economic indicators flying storm signals, the issue is up to us, to the Members of the United States Senate.

Shall we do, in the only way that was ever practical, what was suggested to the States last January and February by President Eisenhower and his Secretary of Labor, and which the States clearly would not and, as a matter of cold economic and political reality, could not do?

Or shall we turn our backs on the needs of the unemployed and their families, on the needs of our economy, on the need for strength of our Nation in terms of productive-force-in-being in these days of international tension, and go home empty-handed to tell the people in our States that the unemployment insurance part of President Eisenhower's legislative program was not really up to the Congress but is really a matter for individual State action, if not this year, then next year, or sometime?

Unemployment compensation laws in this country were the direct result of Federal action. The Social Security Act of 1935 made possible and led to the enactment of State unemployment compensation laws. That was its purpose. It was to eliminate the interstate competition which would have resulted had only scattered States passed laws.

In incorporating certain standards in the original act, Congress recognized the need of assuring that unemployment compensation laws were more than tax evasion devices. The Supreme Court in upholding the constitutionality of the act, stated:

> An unemployment law framed in such a way that the unemployed who look to it will be deprived of reasonable protection, is one in name and nothing more.

With increased unemployment, the Congress of the United States, which was responsible for the birth of unemployment compensation in this country, must against exercise responsibility to assure that unemployment compensation laws are more than laws in name only—that they afford workers protection by permitting them to maintain a reasonable and a decent standard of living during periods of unemployment and through this maintain purchasing power to prevent further unemployment.

That purpose would be accomplished by the Kennedy amendments. If the Kennedy amendments should be voted down by this body, the vicious trend toward transforming State laws into unemployment insurance laws in name only will not be maintained but accelerated because the enforcement of even the existing and weak few Federal standards will be undermined.

Mr. President, I have before me the text of a profound examination of the current battle that is on between two views of Government and society. It is an address delivered at Haverford College, June 13, 1954, by Solomon Barkin, economists for the Textile Workers Union of America, CIO. It is entitled "Governmental Action Necessary for Full Employment," and was delivered in a panel discussion held by the Labor Education Association at its 12th annual summer conference under the general title "A Labor Program for Full Employment."

I wish to quote excerpts from this address to show that the working people of this country are perfectly aware of what this fight is about here today in regard to the Kennedy amendments and to show my colleagues that the policies of this administration are not passing unnoticed but are being analyzed with great care and thoroughness by the labor unions, who take seriously their responsibility both to their members and to the national welfare.

Let me read some of the passages from this address which, it seems to me, are aimed at the center of the target in this debate. In the course of Mr. Barkin's address he stated:

> This country is divided on the level of unemployment which we shall tolerate and on the responsibility of our Federal Government to protect this number of jobs. Trade unionists and responsible liberal elements are lined up against the business interests and our national administration, callous to the high human costs of unemployment. The latter are quite tolerant, despite reluctant infrequent professions to the contrary, to the current volume of unemployment.
>
> This is not a new controversy. It is one which has divided our country during the postwar years. The attack on the welfare state and President Eisenhower's plea for taking the Government out of economics are made of the same matrix. The men who support this view defeated the full employment pledge proposed in 1946. The Employment Act as adopted merely demands that it shall be the "continuing policy and responsibility of the Federal Government to promote maximum employment, production, and purchasing power." The business community has not accepted its responsibility of developing a full-employment economy. It is satisfied with high employment and a continuing large group of unemployed.
>
> The battle is between two views of government and society. One places the preservation of the economic and personal vitality of the worker as the prime determinant of action; the other is indifferent to the sacrifices of these values, hopefully expecting private business to provide a continuing high level of employment discouraging severe political eruptions, without taxing its economic ingenuity.
>
> We stand in opposition to the present administration in its attitude toward unemployment. All persons willing to work should have an opportunity for employment. During the last 15 years, the Nation has urged all to work because we have had a shortage of workers to execute the tremendous production program. We learned that jobs can be designed to employ all who want to work. The handicapped and the older persons, hitherto placed on the scrap heap, can be profitably employed. Work can be fashioned to provide jobs for those who need part-time employment.
>
> Government must underwrite full employment. Without such governmental activity, we would not have had and shall not have full employment. The tremendous burden of the 40-year war to which President Eisenhower referred Thursday night can be eased by having everybody contribute their efforts and minds. How can we hope to assist undeveloped nations to build up sound and expanding economic and political systems if we waste our own resources through unemployment and idle capacity? Is it not wiser to stimulate physical output, to raise our standards and to facilitate our contributions to the peoples abroad than to concern ourselves with the paltry deficits which can be wiped out by a fair tax system?
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> An era of full employment is not only financially and economically wise, but also is necessary to the mental health of our people. In the years gone by, when we enjoyed a minimum of unemployment, social tensions were reduced. We raised our individual and national well-being so that we provided a model for the rest of the world. Now, we shrink with apologies for our unemployment. Optimism then pervaded the American worker's outlook rather than the doubt and uncertainty which now corrodes his outlook, implanting feelings of insecurity.
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> Only a distorted sense of economy can tempt one to insist upon a balanced national budget in preference to a balanced national economy.
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> This conflict in views has been sharpened during the year by statements of the President, the Secretary of the Treasury, and particularly the Chairman of the Council of Economic Advisers. The latter has rejected the philosophy of the former Council Chairman, who assumed that the Council had not only to follow our current economic developments, but also to set the guideposts for legislative and administrative action on the basis of a growing, fully employed economy in which standards of living are being constantly raised. Our economic prowess was to be translated into a fuller life. The deficiencies in our opportunities and the substandard levels were to be eliminated. But the new Council Chairman will have none of it. He is a business economist who deals with indicators of activity which compare the present with the past, but omits any reference to our expanding population and productivity and the vision of progress so fundamental to the American philosophy. For truly, as Prof. Sumner Slichter has said, the present Council of Economic Advisers has accepted a "level of unemployment" which is "considerably higher than the people of the country will find tolerable."
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> The administration is gambling with the well-being of millions of idle Americans suffering from the importunities of unemployment. It has continued to rely on economic stabilizers built into the economy by previous administrations. It awaits industrial growth, hopefully anticipated from the lavish bounties it has recommended. It relies on Congress to grant these bequests to business and property owners, for it knows that Congress is steeped in the tradition that the motive force of our economy is profits, whether gained from true enterprise, Government subsidy, or tax concessions and exemptions to monopoly powers. The big-business interests are risking our country's future on the chance that tax concessions to business and the governmental guaranties on housing loans will stem the tide. Instead, therefore, of addressing itself wholeheartedly to the problem of creating full employment, the administration has flooded us with words of faith, speeches exhorting patience, and news releases replete with glowing statements of confidence that the turn has come and the future is sure. Instead of a recession, we have been told we are experiencing a rolling adjustment, a transition, or a correction. While it no longer condemns critics as prophets of doom, it has not abandoned its deliberate efforts to talk us into a business recovery.
>
> THE UNEMPLOYED
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> Can we recover from our present recession through stimulation of investments? The administration looks at production figures

and compares them with the previous year's output. Is this the proper measure of success in our economy? We who are dedicated to a full employment economy cannot accept this test.

* * * * *

The May 1954 Census Bureau report shows the number as being 3,305,000. To this group we must add those people who technically have jobs, but are not at work because of layoffs and expecting future jobs; these number 848,000. Then, there are the people who have been counted out of the labor market, but who are, nevertheless, eligible for work; these number some 700,000 (the calculation is based on the May 1952 levels of work participation). We are, therefore, definitely confronted with the challenge of finding 4,900,000 more jobs than are being held at the present time.

* * * * *

Equally significant is the fact that 133 of the 145 labor market areas are now classified as labor surplus areas, and there are no areas with labor shortages. The United States Department of Labor has found it necessary to establish a new classification—"substantial labor surplus" (12 percent or more) for 6 cities; 3 of these are in Pennsylvania (Altoona, Johnstown, and Wilkes-Barre-Scranton), 2 in New England (Lawrence and Providence), and 1 in Wisconsin (Kenosha).

* * * * *

The economy now enjoys the benefits of some corrective devices which moderate the impact of unemployment and therefore serve as stabilizers. However, they are not stimulants of expansion. The unemployment insurance program provides a fallback for many workers, but the benefits tend to be small and run out quickly. Assistance to the needy is even more limited. Old age benefits have been increased and the present congressional action may expand them still further. But offsetting the former has been the marked rise in contributions, estimated at three-fourths billion dollars, and largely paid by lower-income groups, and the latter will also be accompanied by a higher volume of taxes. These payments are necessary brakes on contraction, but not activators of new industry.

Income tax reductions at the beginning of the year benefited many, but the lowest income group had it offset by the higher social security contributions. The new tax program is aimed at helping the higher-income groups again.

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A. Programs necessary to stimulate greater purchasing power:

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3. Adopt Federal minimum standard for unemployment insurance benefits requiring benefits equal to 50 percent of the State average weekly wage for 39 weeks.

I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks the full text of Mr. Barkin's address. In doing so, I urge my colleagues to give it their close and careful attention.

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

This country is divided on the level of unemployment which we shall tolerate and on the responsibility of our Federal Government to protect this number of jobs. Trade unionists and responsible liberal elements are lined up against the business interests and our national administration, callous to the high human costs of unemployment. The latter are quite tolerant, despite reluctant infrequent professions to the contrary, to the current volume of unemployment.

This is not a new controversy. It is one which has divided our country during the postwar years. The attack on the welfare state and President Eisenhower's plea for taking the Government out of economics are made of the same matrix. The men who support this view defeated the full employment pledge proposed in 1946. The Employment Act as adopted merely demands that it shall be the continuing policy and responsibility of the Federal Government to promote maximum employment, production and purchasing power. The business community has not accepted its responsibility of developing a full employment economy. It is satisfied with high employment and a continuing large group of unemployed.

The battle is between two views of Government and society. One places the preservation of the economic and personal vitality of the worker as the prime determinant of action; the other is indifferent to the sacrifices of these values, hopefully expecting private business to provide a continuing high level of employment discouraging severe political eruptions, without taxing its economic ingenuity.

We stand in opposition to the present administration in its attitude toward unemployment. All persons willing to work should have an opportunity for employment. During the last 15 years, the Nation has urged all to work because we have had a shortage of workers to execute the tremendous production program. We learned that jobs can be designed to employ all who want to work. The handicapped and the older persons, hitherto placed on the scrap heap, can be profitably employed. Work can be fashioned to provide jobs for those who need part-time employment.

Government must underwrite full employment. Without such governmental activity, we would not have had and shall not have full employment. The tremendous burden of the 40-year war to which President Eisenhower referred Thursday night can be eased by having everybody contribute their efforts and minds. How can we hope to assist undeveloped nations to build up sound and expanding economic and political systems if we waste our own resources through unemployment and idle capacity? Is it not wiser to stimulate physical output, to raise our standards and to facilitate our contributions to the peoples abroad than to concern ourselves with the paltry deficits which can be wiped out by a fair tax system?

An era of full employment is not only financially and economically wise, but also is necessary to the mental health of our people. In the years gone by, when we enjoyed a minimum of unemployment, social tensions were reduced. We raised our individual and national well-being so that we provided a model for the rest of the world. Now, we shrink with apologies for our unemployment. Optimism then pervaded the American worker's outlook rather than the doubt and uncertainty which now corrodes his outlook, implanting feelings of insecurity.

People, in the era of full employment, could have jobs which suited them best. Employers tried then to place people on jobs which fitted them. Personnel policies became more generous. Collective bargaining operated in a favorable atmosphere. Social tensions were reduced and the barriers to minority groups were lowered. They favored the progress which brought the now-famous Supreme Court decision on segregation. These gains are now endangered by the discontent, pessimism, and suspicion engendered by the onrush of insecurity pervading our present society. Now we get rigorous selection of applicants and the signs of the scrap heap are beginning to appear.

Only a distorted sense of economy can tempt one to insist upon a balanced national budget in preference to a balanced national economy. Our economic balance must be measured not by such accounting devices as the state of the national budget, but by our success in utilizing efficiently and fully our resources and manpower. While there is unemployed manpower, we have an imbalance and a waste which should be more disturbing than any financial deficit recorded on a budget statement. A fully employed economy can easily, through legislation, eliminate any budget imbalance which may exist. The preachments of the budget balancers are no more than the outcries of the rich and the economically powerful against taxation of their income and wealth.

This conflict in views has been sharpened during the year by statements of the President, the Secretary of the Treasury, and particularly the Chairman of the Council of Economic Advisers. The latter has rejected the philosophy of the former Council Chairman, who assumed that the Council had not only to follow our current economic developments, but also to set the guideposts for legislative and administrative action on the basis of a growing, fully employed economy in which standards of living are being constantly raised. Our economic prowess was to be translated into a fuller life. The deficiencies in our opportunities and the substandard levels were to be eliminated. But the new Council Chairman will have none of it. He is a business economist who deals with indicators of activity which compare the present with the past, but omits any reference to our expanding population and productivity and the vision of progress so fundamental to the American philosophy. For truly, as Prof. Sumner Slichter has said, the present Council of Economic Advisers has accepted a level of unemployment which is considerably higher than the people of the country will find tolerable.

Full employment has not been mentioned in its report to the President. It speaks only once of reasonably full employment, which is an inadvertent reference rather than a specific declaration of responsibility. Nowhere in its report does it specify the levels of employment required to carry out the purposes of the Employment Act of 1946, although the act calls for such estimates.

The Council has failed to budget our national economic accounts. It has destroyed itself as an instrument for testing our national performance. It has become an apologist for delay and inaction. Along with the administration, the Council stands convicted of a desire to perpetuate partial unemployment. This goal has been earnestly sought by sectors of the American business community anxious to weed out the less efficient workers, to best the trade union movement in bargaining, and to reduce production operations to manageable proportions for higher internal efficiency.

The administration is gambling with the well-being of millions of idle Americans suffering from the importunities of unemployment. It has continued to rely on economic stabilizers built into the economy by previous administrations. It awaits industrial growth, hopefully anticipated from the lavish bounties it has recommended. It relies on Congress to grant these bequests to business and property owners, for it knows that Congress is steeped in the tradition that the motive force of our economy is profits, whether gained from true enterprise, Government subsidy or tax concessions and exemptions to monopoly powers. The big business interests are risking our country's future on the chance that tax concessions to business and the governmental guaranties on housing loans will stem the tide. Instead, therefore, of addressing itself wholeheartedly to the problem of creating full employment, the administration has flooded us with words of faith, speeches exhorting patience and news releases replete with glowing statements of confidence that the turn has come and the future is sure. Instead of a recession, we

have been told we are experiencing a rolling adjustment, a transition or a correction. While it no longer condemns critics as prophets of doom, it has not abandoned its deliberate efforts to talk us into a business recovery.

THE UNEMPLOYED

Can we recover from our present recession through stimulation of investments? The administration looks at production figures and compares them with the previous year's output. Is this the proper measure of success in our economy? We who are dedicated to a full employment economy cannot accept this test. We assume that the measure is the amount of unemployment and underemployment. Are we providing people with jobs? Are we increasing the number of our jobs to correspond to the rise in the number of job seekers? Are they all enjoying the benefits of rising productivity through higher living standards? These are the gages of success. The test is not past, but present needs.

Unemployment is intolerably high. The May 1954 Census Bureau report shows the number as being 3,305,000. To this group we must add those people who technically have jobs, but are not at work because of layoffs and expecting future jobs; these number 848,000. Then, there are the people who have been counted out of the labor market, but who are, nevertheless, eligible for work; these number some 700,000. (The calculation is based on the May 1952 levels of work participation). We are, therefore, definitely confronted with the challenge of finding 4,900,000 more jobs than are being held at the present time.

In addition, there were 8,344,000 persons working less than 35 hours per week. The May survey of the labor force reports that there were 3,550,000 workers who usually worked full time at their present job, but who were working part time. About one-half of these people ascribed the part-time schedule to economic factors. The number in May represents an increase of 100,000 over March and 430,000 over December 1953.

In the week of May 22, 2,078,731 workers were receiving unemployment benefits; they constituted 5.7 percent of the total covered employees. In addition, 76,593 persons were receiving unemployment benefits under the Veterans' Readjustment Assistance Act. Equally significant is the fact that large numbers of workers have exhausted their unemployment insurance benefits.

Even though there was a slight drop in the number of unemployed in May, it was smaller than the usual seasonal drop of preceding years. The reduction was due primarily to the pickup of 750,000 jobs in agriculture. Actually, in the nonagricultural employments, there was a decline of 124,000, localized primarily in the manufacturing, wholesale, and retail industries, where a drop of 274,000, was offset by a slight rise in construction, transportation, finance, and government.

There is general agreement that there was a rise in unemployment in June and that it will continue through the next few months.

Equally significant is the fact that 133 of the 145 labor market areas are now classified as labor surplus areas, and there are no areas with labor shortages. The United States Department of Labor has found it necessary to establish a new classification—"substantial labor surplus" (12 percent or more) for 6 cities; 3 of these are in Pennsylvania (Altoona, Johnstown, and Wilkes-Barre-Scranton), 2 in New England (Lawrence and Providence), and 1 in Wisconsin (Kenosha).

We are, therefore, faced with the huge challenge of finding new employment and doing it quickly. There are millions of people being demoralized and losing their work qualifications. Some one-third of those counted officially as unemployed have been out of work for 15 weeks or more. Unemployment is most severe among the oldest and youngest age groups, and among the nonwhite population.

CAN WE EXPECT SPONTANEOUS RECOVERY TO FULL EMPLOYMENT?

To evaluate our ability to restore full employment without vigorous governmental action, we must determine the factors which precipitated our current widespread unemployment, and whether they contain the roots of their own correction. After consideration of these factors, we will conclude that it is not likely that there will be such adjustments without substantial governmental aid and stimulation.

1. A factor given considerable prominence has been the contention that we are living through an inventory adjustment. Considerable plausibility was given this argument, since business went through an inventory boom at the beginning of 1953. Since then it has declined, so that after a building-up rate of $3 billion in the third quarter, inventories actually were shaved at a rate of $3 billion in the fourth quarter, and $4.8 billion in the first quarter of 1954. In the second quarter it is probable that inventories have remained about on par, with no signicant net movements. However, there are areas where inventories are still too high and other places where they are down to current-use level. In May, the National Association of Purchasing Agents reported that one-third of the firms are still paring their inventories. Seasonal buying is likely to drain inventories below workable levels in few areas, but these are offset by significant inventories in others.

At the end of April 1954, the overall business economy showed $1.67 of inventory for each dollar of sales. It was only 2 cents below September 1953 and 3 cents below November 1953 or February 1954. Inventories in manufacturing are at the level of $1.86 per dollar of sales, equal to September 1953, but below February 1953 when it was $1.95. Wholesale inventories per dollar of sales have been relatively stable at $1.29 per dollar of sales since September 1953. Significantly, the inventories at the retail level have dropped only conservatively, from $1.64 per dollar of sales in September 1953 to $1.59 in April 1954; this was representative primarily of the drop in inventories of durable goods from $2.24 inventory per dollar of sales in September 1953 to $2.11 in April 1954. Nondurable goods inventories per dollar of sales has been stable at about $1.31.

Inventories are not light. Nor do inventory shortages promise to provide the corrective. As a matter of fact, inventories of automobiles are very heavy for this time of year. Only a significant upsurge in buying will change the picture.

2. Consumer credit: Another factor which has been blamed has been the contraction in consumer credit. It is true that the excessive splurge has brought us face-to-face with the fact that over-extended personal debt leads to contraction. In 1953, consumer credit rose by $3.1 billion. In the first quarter of 1954, the drop was $380 million, or at the rate of $1.5 billion. In April it rose slightly, by $200,000, primarily in charge accounts which do not represent the lower income groups. This is primarily middle-class buying. Installment credit continues to decline. Repayments and reclamations on delinquencies continued to loom large. But the low rate of liquidation in view of shrinking national income has not opened up a real reservoir of potential debts.

With the large mortgage debt hanging over the American people and the continued high volume of consumer debt, the liquidation of consumer credit has not taken place at a rate which insures a corrective.

3. Defense and governmental expenditures: A markedly important deflator has been the reduction in governmental defense expenditures. During the first quarter they were down to $47 billion, a reduction from $53.5 billion in the second quarter of 1953 and $50 billion in the fourth quarter. It is probable that the second quarter of 1954 will show a further decline to the level of $45 billion, and that, in the next fiscal year, it will continue at this same amount. We can, therefore, only continue to expect the present level of defense expenditures.

Federal nonmilitary expenditures have been dropping and will continue to decline, but State government expenditures have been rising at times in sufficient volume to offset the drop in Federal Government nonmilitary expenditures.

We cannot look forward to any sharp reversal on expenditures in this area unless there are major changes in national policy.

4. Prices: Wholesale and consumer prices have remained relatively stable with wholesale prices rising slightly and consumer prices tapering off. A resurgence in buying power from a reduction in prices is not visible. Individual sales have shown buyers eager for bargains and lower prices. But the American business community is not ready for so radical a step as general price cuts. Despite its talk about competition, it is not competing on a price basis. Management offers alternative price lines without reducing its price margins. Even the automobile industry continues to maintain its prices, despite strong pressure from its distributors. The iron and steel industry, operating most profitably at a 67 percent level, with a break-even point below 50 percent of operations, talks of raising prices to compensate it for contemplated wage increases.

American management, which has enjoyed a tremendous largess in the form of the cancellation of excess-profits taxes has not passed this on to the American people. Even with respect to the reduction in excise taxes, there are many illustrations of prices being maintained to permit the sellers rather than the buyer to capture these benefits.

Our price structure has not reflected the rising productivity which has reduced costs of manufacture. They have increased management's ability to maintain highly profitable operations even at the lower levels of output.

This program of continued price rigidity, of course, spells further discouragement to our capacity for opening up new vast pockets of buying power through lower prices.

5. Expenditures on new plants and equipment: Much of the faith of the present administration in our economic future is dependent upon continued large expenditures on new construction and new plants and equipment. Truly, the present economic system could be kept at very high levels through industrial and production expansion. Essentially, this program can rest on either one of two factors: (1) The development of new, alternative products or more economical methods of production or (2) expanding consumer demand. The latter is not likely to be a vital force unless we maintain an expanding, full employment economy and invent new forms of consumer debt. In the words of the Wall Street Journal, we have built up an "industrial capacity * * * to cover not only [normal peacetime musts] but also accumulated shortages, the needs of a war and the very large requirements of a rapid industrial expansion program. * * * The Nation's productive system [has] ample room for the satisfaction of desires as well as needs." New products and methods must therefore be the primary determinant of the volume of new plant and equipment.

It is difficult to project the probable volume of new products and methods, but there are many indications that it is not currently of such magnitude as to make up for the decline in military expenditures or governmentally financed private expenditures. The Journal of Commerce for June 11, 1954, reports that the "short-range or intermediate term business picture is guid-

ing manufacturers in new plant and equipment investments to a greater extent than at any time since World War II." It reports that some manufacturers "have cut sharply on investments because they lack working capital and no longer can finance investments out of earnings." Moreover, the article adds that "mergers forced by competitive conditions are resulting in the release of surplus plants in some cities (which) is contributing to the slowing down of new plant construction. * * * On balance, sales of machinery are making a better showing than construction of plants."

These conclusions are in part reflected in the estimates of projected capital outlay released by the SEC and the Department of Commerce which indicate a probable decline in expenditures through the rest of 1954. The drop is occurring in every area except commercial and office buildings. Expansion in the latter fields is continuing primarily because of the more recent suspension of emergency controls and the opening of new communities and suburban areas.

The Government is counting on the stimulation expected from the new provisions for accelerated depreciation in the proposed tax law. While it will no doubt have some such effect in marginal cases, the end result will be quite modest in face of the contraction in civilian demand. The damage done by the shift in the burden of taxation and by the creation of more inequalities will far exceed the advantages from economic stimulation.

Only a large-scale program of atomic power development could have the multiplier effects for which the administration is looking. Moreover, the concurrent rise in man-hour productivity through the scrapping of older equipment and buildings and through more efficient machinery and operations probably mean lower employment in existing industries. This is the basis for the distress in the textile industry and divisions of the electrical manufacturing, and is the general threat which confronts us. The larger capital investment in machinery will compound our difficulties if the volume of capital and consumer expenditures does not compensate for the decline in Federal expenditures.

6. Housing construction: Residential housing construction has helped maintain our current level of economic activity. Last years' levels are being matched. It is substantially accounted for by the availability of new funds brought about by the granting of mortgages to veterans for 30 years with no downpayments. Interest rates, which had been rising, have returned to the former levels following the easier money policy instituted by the Federal Reserve Bank System. However, there is little likelihood of any marked rise in volume from this source, even with the possible approval of the modest 35,000 per year program of public housing. We shall be happy under present circumstances to maintain the existing volume of new housing.

7. Wage increases: A real potential corrective factor is wage increases. This action could stimulate considerable new buying power. However, the volume of immediate buying power will be limited in that the sums being considered are in the range of 5 to 10 cents per hour. In addition, some part of the gains are in forms which do not create immediate buying power, such as pensions; funds of a guaranteed annual wage or reserves for benefit funds. Finally, large numbers of workers will receive smaller sums, and others none at all. Concurrently, there are other areas where the workers are being compelled to take wage reductions or limitations on benefits or other types of reductions in income. These are located primarily in the low-wage industries and marginal plants.

In the meantime technological improvements are curtailing employment and reducing the number of persons benefiting from the wage increases. Wage increases are significant stimulants, but are currently not large or widespread enough to turn the tide in and by themselves.

8. Current governmental action: With the exception of the influence of wage increases, State and local expenditures and capital improvements, we cannot rely upon the above factors to offset the large reductions in governmental expenditures so as to correct the present condition of widespread unemployment. Rather, we might well conclude that many of the above factors have not run their downward course, while others, like technological change, carry the causes of further reductions in employment.

The economy now enjoys the benefits of some corrective devices which moderate the impact of unemployment and therefore serve as stabilizers. However, they are not stimulants of expansion. The unemployment insurance program provides a fallback for many workers, but the benefits tend to be small and run out quickly. Assistance to the needy is even more limited. Old-age benefits have been increased and the present congressional action may expand them still further. But offsetting the former has been the marked rise in contributions, estimated at three-fourths of a billion dollars, and largely paid by lower income groups and the latter will also be accompanied by a higher volume of taxes. These payments are necessary brakes on contraction, but not activators of new industry.

Income tax reductions at the beginning of the year benefited many, but the lowest income group had it offset by the higher social security contributions. The new tax program is aimed at helping the higher income groups again.

9. Personal income: Personal income has been declining steadily in the current recession. From July 1953 through April 1954 income has dropped at an annual rate of $5.3 billion despite the rise in population. The primary cause has been the reduction in wage and salary income. Farm proprietor income has been only slightly lower as it has been propped up by large governmental purchases. Dividend and interest payments have been rising. The continued large scale unemployment will deter any increase in this critical sector of the economy.

Much comment has been directed to the large volume of retail sales. These have been sustained only slightly below the previous year's level but our population has risen so that per capita sales have actually declined. The critical fact is that May sales were considerably below April and the June reports are not reassuring. The impending summer slump months are going to remove even more of the bloom from the above reports.

GOVERNMENT ACTION HELPED MAINTAIN CURRENT ECONOMIC STABILITY

A review of the individual sectors of our economy indicates that there are few sources within it that can provide us with any real resources for spontaneous corrective factors to restore a state of full employment. The reliance on private action rests on a belief among some people that there is an untapped fount of new products or processes which will stimulate investment. We have already commented upon this view and have concluded that they do not provide us with a safe ground for a confidence in economic resurgence and in all probability will be inadequate. Others trust in consumer buying. They overlook the fact that shrinking income induces more cautious buying. The consumer is already overladen with mortgages and short-term debt. His savings are not in liquid condition and it is unevenly distributed so that the lower and middle income groups have a relatively small proportion.

Those who disapprove of governmental action must, of course, recognize that the present high economic level is being sustained by governmental economic programs, aids, subsidies, and incentives. The large governmental expenditures on national security as well as Federal and local governmental expenditures are major props for our current economy. Similarly we must add deposit guaranties. There are also mortgage guaranties which are stimulating residential housing construction. Accelerated depreciation benefits have helped initiate many current projects for industrial building and machinery expansion or replacement. Similarly tax exemptions and benefits have favored other industrial projects.

Unemployment and old-age security benefits and financial assistance programs are contributing substantially to maintenance of the incomes of millions of persons and families.

The major conclusion flowing from the above analysis is that the present private and public programs have been able to stabilize our economy but are hardly sufficient to induce the measure of recovery necessary to insure a rise in production and demand necessary for the full employment of the 4,900,000 unemployed.

These conclusions are corroborated by the results of a survey by Dun & Bradstreet reported in Dun's Review and Modern Industry for June 1954. It found that business on the whole expected a rise in net rates and profits whereas they predominantly expected no increase in employment, which in view of the rising population suggests a rising number of unemployed. Optimistic expectations for the third quarter of 1954 as compared with the third quarter of 1953 were held by 46 percent as to net sales, 38 percent as to net profits and 40 percent as to manufacturers' orders. As for selling prices the general outlook (74 percent) was for no change. Inventories would probably be leveled out. Eleven percent expected increases in employment and a like proportion reported probable reductions and 78 percent expected no change. (Dun's Review and Modern Industry, June 1954, p. 68.)

A PROGRAM FOR FULL EMPLOYMENT

We are herewith outlining a series of steps necessary to be undertaken by the Federal Government in order to realize the goal of underwriting an era of full employment with a rising standard of living for the people of this country.

A. Programs necessary to stimulate greater purchasing power

1. Increase the minimum wage from 75 cents to $1.25 and extend its coverage.

2. Liberalize the Federal old-age security system.

3. Adopt Federal minimum standard for unemployment insurance benefits requiring benefits equal to 50 percent of the State average weekly wage for 39 weeks.

4. Increase the personal exemption under the Federal income tax law from $600 to $800.

5. Repeal of the Taft-Hartley Act to support the extension of unionism and collective bargaining in areas not now organized.

B. Programs necessary to stimulate capital investment

1. Expand Federal, State, and local public works programs for schools, roads, hospitals, water and sewer systems, river valleys, and similar public functions.

2. Increase local resource study and development.

3. Promote basic research and development of atomic power experiments and application.

4. Financial and managerial aid to small business to encourage new enterprise.

5. Expand foreign aid programs to underdeveloped nations in need of capital.

6. Institute a more extensive public housing program.

C. Programs necessary to reduce excessive prices

1. Institute a system of public review of consumer complaints against excessive prices by a Federal trade agency to determine the levels on which specific prices may be properly reduced.

The adoption of the above programs is rightfully the responsibility of the Federal Government. For it to discharge its full obligations for the maintenance of maximum employment, it should not only determine the magnitude of the deficiency in jobs, but prescribe the desirable areas for promotion of activity and purchasing power. The above programs provide the framework for specific action whereby buying power may be stimulated either through higher income or lower prices, or both, and the promotion of new jobs through new capital developments undertaken by both private and public ventures.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. KENNEDY].

Mr. UPTON. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

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

The PRESIDING OFFICER. Without objection it is so ordered.

THE CURRENT NEED FOR ANTIRECESSION ACT

Mr. MORSE. Mr. President, I wish to discuss the pending legislation. I am fearful that the urgency of the need for improving the unemployment-compensation laws and bringing them up to date may be obscured by the steady stream of rose-tinted propaganda about the state of our domestic economy that has been flowing from the spokesmen of the Republican administration during the whole course of the Eisenhower recession.

In fact, Mr. President, I was a little amused this morning when I picked up the newspaper and read of the President's speech, via the Vice President, before the governors' conference in which he advocated a great road-building program which will cost between $40 billion and $50 billion. I ask the simple question, Where was the President on that issue early this year when the junior Senator from Oregon stood on the floor of the Senate and pointed out that what was needed, according to the testimony of every road expert who appeared before the Public Works Committee, was an expenditure of between $30 billion and $40 billion to put the highways of the Nation in proper shape. It was pointed out in the testimony that we cannot reduce by more than a small fraction in the murdering of between 38,000 and 40,000 people a year on the highways of America unless we are willing to build an adequate system of highways across the country, east and west, and north and south.

The President is great on promises, particularly, of course, as we are approaching a political campaign. We now have some Republican propaganda presented by the President before the governors' conference at New York with respect to a suggestion for a great highway construction program. However, the President should have been acting in support of that kind of program earlier this year when some of us were suggesting, as a step toward ending the recession from which the economy of the country has been suffering now for more than a year under Eisenhower, that we go forward with a road-building program which could really be called a road-building program. Instead, we adopted a program costing in the neighborhood of $1 billion, when, in my judgment, we should have gone forward this year with a program of at least $3 billion, and we should have made plans to go forward with a program of at least that amount next year, and more the following year.

I become a little weary, Mr. President, of this repetition of Republican promises. I heard them all through the campaign in 1952. The present majority party is strong on promises, but very weak on delivery. Yesterday the President was months late even in talking about a road-building program. If he meant it, why was he not giving support earlier this year to those of us who urged a road-building program in order to help to meet the Eisenhower recession?

THE FUNCTION OF UNEMPLOYMENT COMPENSATION

Mr. President, unemployment compensation is one of the measures enacted by Democratic administrations to mitigate the hardships of unemployment upon workers and their families. Its purpose also was to help to maintain the purchasing power of the people during a business letdown so that matters will not go from bad to worse.

Because we are now in the tenth month of a business recession of no small proportions, it is time to take a realistic look at the unemployment compensation system to see if any genuine help can be expected from it in combating the recession. When first enacted, the purpose of these laws was to give an unemployed worker compensation equal to 50 percent of the wages he would earn if employed. Many State laws still retain that principle, but only in words. In practice the principle is vitiated because the maximum compensation permitted under State laws now amounts to only about 30 to 35 percent of average weekly wages. Over the years prices have gone up, wages have gone up, profits for the few have gone up, rents and interest have gone up, but unemployment compensation rates have been tied to a post. Present compensation payments simply are not adequate to accomplish either of the two purposes for which we enacted this law nearly 20 years ago. They do not protect the worker or his family from hardship. They will not, and cannot, provide any substantial support to the economy against the kind of dangers that now threaten it.

THE CURRENT ECONOMIC SITUATION

I do not want the Senate to vote upon this important question under any misapprehension about how real those dangers are. I do not want Senators to act upon the false optimism that the spokesmen of the Republican administration are working so hard to persuade them to accept and rely upon.

THE SIGNIFICANCE OF CURRENT UNEMPLOYMENT FIGURES

We had a typical example of this only last Wednesday. On Wednesday the Departments of Commerce and Labor issued their joint report on employment and unemployment. Much was made in that report of the continuing decline which has taken place in the number of "insured unemployed." Who are the "insured unemployed"? They are the workers currently receiving compensation under the law which we are considering today. They are not all the unemployed. Oh, no, they are the unemployed who, in the first place, have passed the qualification tests—and in some States these are no mean tests to pass—and are receiving compensation benefits. In the second place, they are unemployed workers who have not yet exhausted their rights to receive compensation. I am told that the average duration of benefit payments, taking all the qualifications and limitations in State laws into account, is probably about 16 weeks. If a worker still has not found suitable employment when his benefit period comes to an end, he then ceases to be one of the "insured unemployed." He is just unemployed, period.

How much encouragement, therefore, are we entitled to draw from the fact that the number of the insured unemployed has been declining since about March 1? The Department of Labor would have us take great cheer from it. They publish the insured unemployed figure every week, and every time the figure has gone down they have taken pains to make it sound very hopeful indeed. But the number of workers who exhaust their benefit rights in the week they do not publish. These figures they publish only for a month as a whole, and tardily.

While Wednesday's release made so much of the continuing decline in the insured unemployed, the Department of Labor did not take pains to tell us that, while the figure has been reduced by 300,000 since the 1st of March, 457,000 workers exhausted their benefit rights in March, April, and May. It is true that some of these may later have found employment, and others have been returned to the unemployment insurance rolls at the beginning of what the States call a new benefit year. We have no figures on these. But by and large it is quite clear that the figures which the Department of Labor would encourage us to cheer about do not reflect an improvement in the condition of the unemployed to anything like the degree advertised by the administration last week.

"Out of sight, out of mind" may be a rule of conduct satisfactory to Government officials bent on obscuring from the public eye the seriousness of the recession we are in. But it is of no cheer to a worker who, after carrying his family along on inadequate benefits for 16, 20, or 26 weeks, as the case may be, then finds himself with no benefit payments and no job either.

IMPROVED UNEMPLOYMENT COMPENSATION NEEDED

It is my belief, Mr. President, that the time has come to look at the facts of this recession without blinking, and to insist that the Republican administration do something better to restore us to prosperity than the mere issuance of gilded statistical reports. One thing we can do in this body today is to vote for substantial improvements in our out-of-date and inadequate unemployment compensation system.

It is not my purpose, Mr. President, to put fear in the minds and hearts of our people. I know how cleverly the disciples of the administration's see-nothing, do-nothing program seek to protect their policy of inaction and evasion from criticism. They stand ready at a moment's notice to brand anyone who dares to look at a fact, see it as a fact, and talk about it as a fact, as an apostle of gloom and doom, a perpetrator of disaster—indeed as one very close to treason. With such character assaults they would strike down anyone who so much as dares to expose their refusal to act responsibly in the light of the facts and of experience.

I reject this philosophy of theirs and I repudiate their attack upon me before they launch it, as I know they will, because they did it all fall and winter. They do not speak for the rank and file of American people. Their fear of facts and their incapacity to act are not shared by the citizens of this country. We Americans are not like that. Given wise and bold leadership, our people will take the facts in hand and do what the situation requires to put things to rights. We proved that in 1933 when, under President Franklin D. Roosevelt, we picked ourselves up from the bottom and set to work rebuilding a way of life for ourselves and our children.

The national leadership today is in large measure reenacting the same escape from a responsibility to govern, the same willful blindness in the face of mounting distress for the mass of people, the same false optimism engendered by the prosperity of a few at the top, that led to the overwhelming economic tragedy of 1929. Now, as then, the policy is to close the eyes and wear a hopeful smile; to do as little as possible, and always promise that on some vague tomorrow action will be taken that is required today—indeed, action that was required yesterday.

PARALLELS WITH 1929

There are other disturbing parallels between the situation of today and that of 1929. Factory employment has been falling, the purchasing power of the people is far below what is necessary to provide markets for the output of full employment, yet at the same time corporation profits hold at a high level and day after day stock prices reach new highs in a strong bull market. This booming stock market in the midst of accumulating hardship should bring a chill to anyone who remembers 1929.

I do not say, and I do not believe, that we are today on the brink of a disaster of the proportions of 1929. The makings of that situation are present, but we have safeguards today which we did not have then. In addition to unemployment insurance, inadequate as it is, we have pensions for the aged, farm-price supports, insurance for bank depositors. These and other measures introduced under Democratic administrations stand today as a bulwark to protect our economy from the full effects of the Republican administration's misguided policies.

The indifference of Republican leaders to the widening spread of human misfortune in this country shows how great a reliance they place upon these safeguards which they had not the wit to set up in the first place and attacked so venomously when Democratic Congresses enacted them.

My mail tells me that Republicans throughout the country do not take the same view as that taken by the Republican leaders of this administration. In fact, this administration has increased the supply of only one thing—ex-Republicans.

I for one, Mr. President, am not content to let things drift from bad to worse simply because I have some assurance that we are protected from the kind of catastrophe that engulfed us in 1929. And I must say that this assurance is chilled somewhat when I hear proclaimed the same basic fallacy that played so large a part in bringing us to our economic downfall 25 years ago.

I thought we had learned 25 years ago that it was not enough to shape public policies for the enrichment of those who are already rich. I thought we had discovered 25 years ago that profits and dividends will not carry us along if the purchasing power in the hands of the people fails to keep pace with the growth of our population and the expansion of our productive power.

But here we are again. The Republican administration has forced through a tax bill which yields over 90 percent of its bounties to corporations and to the people at the top. We are told that this is the medicine our ailing economy requires.

Is the stock market not doing well enough without these bounties? Stocks go higher day after day while more and more people join the ranks of the unemployed. How much more of this deadly parallel with the last Republican regime must we reenact? How much longer do we do nothing to reverse this trend and start getting our people back to useful work?

ADMINISTRATION FAILURE TO COUNTERACT EFFECTS OF TIGHT MONEY POLICY

The administration imposed the tight money policy upon us in its first days in office.

Now, more than a year later, we are still feeling the consequences of that strangulation of the country's growth and expansion which the bankers told us was necessary to overcome inflation, although the basic conditions which cause inflation existed early in 1953.

For most small borrowers, the effects of the tight money policy still linger. Bankers will not lend to them; the RFC has been extinguished; the Small Business Administration, set up to replace it, is moribund—exactly as it was intended to be. The grassroots of American free enterprise have been burned out in a financial drought.

Has the administration done anything to counteract the effects of its tight money policy?

Tax reductions effective January 1, 1954, were already written into the law under a Democratic administration.

PRESIDENT HAS TAKEN CREDIT FOR DEMOCRATIC TAX REDUCTIONS

Yet on a series of occasions a Republican President, in statements to the people of the country, sought to take credit for the tax reductions of January 1, 1954, which had already been enacted by a Democratic administration.

I have said before, but it needs to be said again and again, because it is typical of the misrepresentations of the present administration, that the Eisenhower administration had not one single thing to do with the reductions in the income tax of January 1, 1954, and the President of the United States should have said so in his first pronouncement on the subject, but he did not. He left with the American people the impression that he had something to do with it under his administration, but he had nothing to do with it.

That is not the only example of doubletalk which characterizes this administration. It honeycombs the administration, and it is about time that we came to grips with some of the distortions, misrepresentations, and doubletalk of the Eisenhower administration.

Not only were the tax reductions which were effective January 1, 1954, already written into the law under a Democratic administration, but those reductions were not designed to provide a stimulant to a lagging economy. They were not written into the law for that purpose and they have not had that effect. Only 12 percent of the net tax reductions which took place on that date went to swell the purchasing power of the great number of American families who live on less than $5,000 a year. Wealthy families received 45 percent of the benefit. Corporations received 43 percent of the benefit, through the repeal of excess-profits taxes. That $2,300,000,000 shot in the arm for business was the same kind of hypodermic as the recently passed tax bill, and it had the same effect on stimulating recovery and reemployment of the unemployed as this bill will have—practically none.

No, there has been no action taken to return us to the full employment and prosperity which we were enjoying when this administration took over the reins. But there has been talk—indeed there has been talk; talk about how things are going to get better very soon; talk about how in some early month the turn will come, or, if not, then the hour of decision and action will have arrived. Things have not got better; fundamentally they are worse. And the months of promise have come and gone. And the days of decision have arrived, and each such day has given birth only to a new day of decision—a new promise of performance—later on.

Some of us forewarned of the danger in January, February, and March of this

year; and here is one Senator who is perfectly willing always to stand on the record and refer to the record. In those months of this year, I pointed out the need for action to be taken then, in order to meet the unemployment problem throughout the Nation. I pointed out then, as I do today, that there was bound to be a seasonal upturn, come May, June, July, and August. It always has happened in our economic history, at a time when we were confronted with serious unemployment. It happened every summer during the depths of the great depression. During that unfortunate period there was always a seasonal upturn in employment in May, June, July, and August.

But let us not be fooled by the Eisenhower administration into believing that the summer uplift in employment represents any basic improvement in the economic health of America, because to date this administration has not done one single thing which will be of any assistance come the cold months of November, December, January, February, and March. That will be when the question will be asked, Mr. President, "What did you boys do back in July?" What kind of answer will be given to that question?

In my judgment, one of the things which can be done is by way of proceeding to amend the unemployment insurance bill in such a way that it will deserve the title of an unemployment insurance bill. The seasonal increase in employment this year has been less than the usual seasonal rise from January to June. Factory employment has gone steadily downward.

ADMINISTRATION PROMISES

It was on February 18 that the President told his press conference that he would think that March ought to be the key month—the month when employment begins normally to pick up. If that did not happen, the President said, then it would be a very definite warning that would call for the institution of a number of measures.

March came and there was no upturn. Unemployment rose by 50,000; workers on temporary layoffs increased by 20,000; factory employment went down for the 7th month in a row; business failures reached their highest point of any month in the last 13 years. And there was no White House action.

In fact, there is a group of witnesses whom I should like to call some day before a congressional hearing. I should like to call the hundreds and hundreds of small-business men who have gone bankrupt since the Republicans came into power. They are the persons we should hear. We should hear their testimony as many of them have given it to me in my office, as to the failure of this administration to come to the assistance of small business in the United States. They have been driven to the wall, Mr. President—and by what? By a program which has resulted in the pyramiding of great economic combines in America to heights never before reached in our economic history.

In the automobile industry some of the greatest old-line automobile manufacturing corporations are finding themselves so badly pushed, as a result of the trend of monopoly which has grown by leaps and bounds under the Eisenhower administration, that, in their last gasps, in an effort to remain alive, they have merged into what is going to be a sort of independent organization of automobile companies, seeking at least to be able to compete against this intensified monopoly trend under the Eisenhower administration.

I should like to have placed on the public record the testimony of some of the hundreds of small-business men who know that the delay and the delay, the indecision and the indecision, of the Eisenhower administration have caused them to go to the wall, with the result that there now exists the highest percentage of bankruptcies in many years.

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

Mr. MORSE. I yield to the Senator from Missouri.

Mr. SYMINGTON. Is it not true that the largest industry employer in the United States excepting possibly an almost completely Government-subsidized industry, the aviation industry, is the automobile industry?

Mr. MORSE. I would say that is my impression, but I would not be able to raise my right hand and say that I knew for a statistical fact that that was true. I say that certainly it is 1 of the 2 or 3 largest single employers in this country, if not the largest single employer.

Mr. SYMINGTON. In support of the position of the Senator from Oregon, is it not true that even great automobile companies of the recent past, excepting the first three, believed they could not prosper without consolidating, which they have recently done?

Mr. MORSE. That is the position they took.

Mr. SYMINGTON. Does not that fact show a concentration of economic wealth almost unparalleled in the history of the United States?

Mr. MORSE. Strike the word "almost." It is unparalleled in our history.

Mr. SYMINGTON. If conditions are hard for companies which we know have recently merged in order to live, does not that simply accentuate the fact it is infinitely harder for the small-business man to live in competition with the great corporations, corporations which have been rapidly expanding under the supervision of this administration?

Mr. MORSE. That is the experience they are having, as I have found in talking with some of the small-business men. They are beginning to recognize they are not private entrepreneurs, after all, and that really their policies as so-called free enterprisers are dictated by monopolistic combines. What we had better do, and do quickly, is take a look at the antimonopoly laws on the books and start doing a job of revision there, because, in my judgment, there is a serious need for some really effective work in the field of checking monopoly. But the whole trend of the present administration is to strengthen monopoly. Look at its policy. I do not care where one chooses to look at the administration's policy, wherever it is touched will be seen a program intended to strengthen monopoly.

Look at what the administration is doing in the field of power resources. I have spoken on that subject recently, but not for the last time. The administration's power program and policy have permitted the turning over of the power resources to monopolistic combines. We should prevent monopolies in the AEC program. There we have an instance of the President's actually directing the signing of a contract which seeks to play into the hands of a monopolistic combine, and the forewarning of control by a monopoly of the people's heritage in the atomic-energy program.

Let me say, by way of emphasis, that the American people have spent billions and billions of dollars on the atomic-energy program, not with the idea in mind that it should be given away to a combine of monopolies, but that is exactly where the administration's program is leading. If we do not want the AEC bill, which soon will be before the Senate, to foster that condition, we should enact amendments which will check the White House in its obvious intent to turn over the power of atomic energy, under the name of private enterprise, to private monopoly. I respectfully say the administration has never demonstrated to the American people that it recognizes the difference between private enterprise and private monopoly.

While the Senator is present in the Chamber and on his feet, in view of the fact that I have said something about small-business men, by increasing hundreds, going to the wall in bankruptcy under this administration, I wish to pay to the Senator from Missouri a tribute which I think is due him. When he was the head of RFC I communicated and conferred with him on numerous occasions on behalf of some small-business men of my State. The Senator from Missouri showed he had an understanding of the importance to our free enterprise system of keeping small business in America alive. He understood the importance of small business getting a reasonable share of the contracts under the defense program. He understood that, after all, there will not be a private enterprise system unless necessary steps are taken to see to it that small business is able to prosper and make profits. Although we talk about big combines as being the employers of certain masses, the fact remains that it is the accumulation of small businesses which really results in the employment of a substantial percentage of workers in America. If small businesses are permitted to go into a decline, there will result a weakening of the earning power of hundreds of thousands of workers.

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

Mr. MORSE. I yield to the Senator from Missouri.

Mr. SYMINGTON. First, I thank the Senator from Oregon for his gracious remarks. I wish to assure him that during my career in the Senate I hope I do, and try to do, as much for small business as he has done.

Does not the Senator agree that with a constant centralization of economic power in this great Nation, we shall get close to a condition which someone has said is just a walk across the street from socialism, this as against the true concept of free enterprise, a concept which requires the strength of small business?

Mr. MORSE. The Senator from Missouri is completely accurate. So far as the economic freedom of the individual is concerned, the individual suffers as much more monopolistic control as he does under socialistic control. There is no economic freedom of choice for the individual under socialism, and there is no freedom of economic choice for the individual under an economy controlled by monopolistic combines. They are both forms of economic dictatorship.

Mr. SYMINGTON. In one case the people in the government make the decision, and in the other case the people in the back room make the decision. Is that not correct?

Mr. MORSE. In one case, State-minded Government officials make the decisions; in the other situation, monopolisitc-minded big-business dictators make the decision.

Mr. SYMINGTON. Would the Senator add the word "cartel-minded"?

Mr. MORSE. I do not have any objection to adding the expression "cartel-minded," except that I use the word "cartel" in connection with the internation monopolies which are dominated by the monopolists in the respective countries which enter into deals between and among themselves.

Mr. SYMINGTON. I am reminded of that word because I remember the magnificent job the distinguished Senator from Oregon did in breaking the world cartel on tin, which, as the Senate committee handled the matter, saved the American taxpayer, on tin alone, about $500 million.

Mr. MORSE. I helped only in a relatively small way, although I did work quite hard on the problem. In my judgment, the real credit for the breaking of that international tin cartel should go to the present minority leader, who was then chairman of a subcommittee of the Armed Services Committee of which I was a member, and under his leadership we conducted the hearings which brought out the facts with regard to the tin cartel. We were successful, with the assistance of the Senate as a whole, in breaking that cartel.

Mr. SYMINGTON. I agree that the minority leader had a great deal to do with it, but I also remember what the Senator from Oregon said about it, and the fact that he was very much in favor of what the committee did under the chairmanship of the minority leader.

Mr. MORSE. The Senator is very kind.

Mr. President, I have pointed out that in March of last year, unemployment rose by 50,000; workers on temporary layoffs increased by 20,000; factory employment declined for the 7th month in a row, and business failures reached the highest point in any month in the past 13 years; and there was no White House action.

But before the facts about March were known, we were told by the press that "administrative sources" had disclosed that when the President said March, it should be taken to mean March and April—the spring generally.

THE ADMINISTRATION WAITED FOR SPRING

This spring-song theme has been sung by the Secretary of Defense as early as February 10. Asked about the outlook for automobiles, he said that Detroit "is well able to look after itself; I would not worry about it; come spring, it is going to be all right."

Charles Wilson could not know, of course, that even while he spoke those cheery spring words, unemployment was growing in Detroit from 107,000 workers in January, to 140,000 workers in February. Nor did he foresee that, "come spring," Detroit unemployment would remain above 130,000, as compared with a low point of 15,000 unemployed in the spring of 1953.

On March 22, the month of promise was postponed once more. The Secretary of the Treasury said he thought it might be May before the economy showed any particular upward change.

But on the very same day, March 22, the Secretary of Labor put off the good news from May until the fall. On a TV program, he conceded that unemployment might increase in March and April, but an upswing in employment would come by fall.

Nine days later, on March 31, the Secretary of Commerce restored our spring hopes. This, he said, is "just a little, average recession, nothing serious." He thought the country would "pull out of it by April."

Of course, that was quite a remarkable contribution by the Secretary of Commerce to the descriptive language concerning the economic condition that confronted us, because he was able to pry through his lips the actual pronunciation of the awful word "recession." That was one of the first times an Eisenhower administration spokesman was even willing to utter the awful word; and in that period the President himself, in a press conference, was able to get it out; at that time he, too, for the first time talked about the recession. On the other hand, many of us who in the preceding months had talked about a recession were called "the apostles of gloom and doom" because we dared forewarn the country of what was happening in terms of economic facts, and dared to do so months before either the President or the Secretary of Commerce would even utter the awful word "recession."

THE ADMINISTRATION WAITS FOR FALL

Then, on June 8, we were again put off until fall, and this time by the highest authority. Dr. Arthur Burns, Chairman of the Council of Economic Advisers, on that day held a press conference at which he looked hopefully to the future. He was, in effect, speaking for the President, for it was the President who sent the newsmen to him to get their answer to a question put to him at his own press conference on June 2. The President had been asked whether he would care to comment on a public statement that had been made a few days earlier by the eminent, and I must say conservative, Harvard economist, Sumner Slichter. Slichter charged the administration with "a surprising lack of initiative and enterprise" in fighting the depression. "Spokesmen for the administration," he said, "have said several times that the administration would act if and when action is needed, but the level of unemployment which the administration regards as justifying action seems to be considerably higher than the people of the country will tolerate."

Dr. Burns' forecast was that unemployment might go to 4 million in June, and higher in July, but that in October he would look for unemployment to go down. A rise in June or July to 4 million or above did not trouble him, because he said that would be seasonal. October was the month to look for a seasonal decline in unemployment, he said. An increase of $700,000 in the number of unemployed between May and June would have been far greater than seasonal, I may say, basing my opinion on the experience of post-war years. But what seems to me most significant in Dr. Burns' forecast is his apparent readiness to let things take their course, to ride the seasonal tides up and down, while more than 3 million people are recorded as unemployed, many more are on short hours, and uncounted others have been discouraged from even seeking employment, and therefore are not enumerated as jobless, though jobless they are.

CAN THE PEOPLE WAIT?

But can we afford to wait and wait and wait—in February, to wait for March; in March, to wait for May; in June, to wait for October? The problem that confronts us is not composed of statistical percentages and seasonal trends. That is not its substance. Its substance is people—human beings of flesh and blood and bone; people in trouble, breadwinners without jobs; young men and women coming out of school; farmers producing crops for a shrinking market; new and small business enterprises without a business opportunity; small-business men going into bankruptcy by the hundreds at the highest rate in a long period of years. That is the economic picture of today, and it is suggested by the administration that we ride out the economic tide.

HOW LONG MUST WE WAIT?

How long, I ask, Mr. President, will these people have to wait before something is done to restore to them at least a chance, at least an opportunity, to put their talents and their efforts to work fulltime, all the time, doing things that others want and will pay for? Do they have to wait until the growing sickness spreads up to where it touches the great corporations and the leading banks? Are their profits and their dividends the only considerations that will move this administration into action?

ECONOMIC DISTRESS IN CLEARFIELD, PA.

Mr. President, 2 or 3 weeks ago, I spoke at Clearfield, Pa., one of the economic disaster areas of the country. I spoke

at a meeting; and following it, a number of persons came up and talked to me about the economic plight that confronts so many of the workers in that disaster area, who today are relying for food on the surplus food which is made available to them by the Federal Government. If we consult the record, we find that it was not so many months ago that a little group of us on the floor of the Senate had to carry on the fight in order to awaken the administration to the need for the distribution of surplus food here at home, to our own people. Of course, we urged a food distribution program that would be of some help to the thousands of Americans unemployed as a result of the Eisenhower recession. I was in one of the areas where the food was being distributed. The principal question asked me by those unemployed persons was, "How long does Eisenhower think we should wait?"

Mr. President, I, too, ask the question: How long should the unemployed people wait for this administration to keep faith with the spirit and intent of the 1946 Full Employment Act, passed by the Congress of the United States?

Mr. KENNEDY. Mr. President, will the Senator from Oregon yield to me?

The PRESIDING OFFICER (Mr. BUTLER in the chair). Does the Senator from Oregon yield to the Senator from Massachusetts?

Mr. MORSE. I yield.

Mr. KENNEDY. The Senator from Oregon may have seen some statistics which were gathered by the Massachusetts Division of Employment Security. That division made a survey of 6,000 workers who, between 1948 and 1949, had exhausted their benefit credits.

As the Senator may know, the survey showed that—

Workers were much more liable to exhaust their benefits as they grew older. Some 34.3 percent of the male exhaustees were more than 54 years old.

Of those who remained in the labor market, some 4.0 percent reported having been reemployed within a week after exhausting their credits; 26.1 percent had gone back to work within 5 weeks, and an additional 13.3 percent within 10 weeks. On the other hand, some 45.1 percent remained unemployed 20 weeks or more. Of the workers who had exhausted their benefit credits more than 39 weeks prior to the date of the interview, some 30.8 percent of those remaining in the labor force were still without work at that date.

Over 41 percent of those interviewed reported one or more persons partially or wholly dependent upon them. Some 22 percent had dependents under 18 years of age.

After benefits had been exhausted, most of those without work relied for support on other working members of their own families, the women, of course, to a greater extent than the men, and the married women to a much greater extent than other women.

A large proportion of those interviewed furnished information on liquidation of savings and other assets during the postexhaustion period. Some 51.7 percent reported having turned savings, war bonds, insurance, etc., into cash. Nearly 40 percent of those who had relied on this source of support reported that their entire savings were used up. Nearly 50 percent reported that they still retained a fraction of their savings (of which the amount was not ascertained).

Some 22.5 percent of those answering the questions relating to credit indicated that they had had to resort to this means of support. Of those who had incurred debts, some 34.9 percent had fallen behind in rent, grocery bills, installment payments, etc. A large proportion (20.8) had borrowed from friends; another 25 percent had borrowed from lending agencies.

Only 8.2 percent of those replying to the questions relating to relief stated that they had been on relief rolls—either public or private. Private assistance was apparently an insignificant source of relief so far as these exhaustees were concerned.

In other words, public or private relief furnished a very small measure of support. This is a terrible story, it seems to me, of what happens to people who exhaust their benefits, and who are unable to find work. It has a multiplied effect throughout the entire community. As these people cease to be employed and their benefits are exhausted, they find that they must borrow from their friends. They must cash their entire war savings. They must run up grocery bills. The grocer is unable to pay his bills, and the whole community runs down into a chronic state of depression. It seems to me this is an issue of basic importance to all of us in the Senate, as the Senator from Oregon has pointed out, and we cannot ignore our responsibility in view of these statistics.

Mr. MORSE. I thank the Senator from Massachusetts very much. I had not seen this particular survey. However, the statistics which the Senator has just read fall within the pattern of other surveys with which I am familiar. That is exactly what happens when we let unemployment go unattended, as we have done for the past many months. As I indicated, referring to the unemployed in the Clearfield, Pa., area, they are tired of waiting for action on the part of the present administration. They are entitled to action by the administration, but apparently the administration follows the point of view that we had better require them first to use up their savings, and to follow the course of action which the Senator from Massachusetts has just cited in reporting on the Massachusetts survey.

Without going into the detail which I did yesterday afternoon on this particular point, I wish to invite attention again to certain economic facts which must not be lost sight of when we deal with the entire question of employment and unemployment.

I am asked by a goodly number of people why I am so strong for unemployment benefits. Why should the people as a whole pay benefits to people who are not working?—Of course, unemployment compensation is paid for by payroll taxes. Why should we not let the law of supply and demand operate?

Of course, my reply is that I am strong for unemployment benefits because when I work for unemployment benefits I am performing a service for the employed. I am performing a service for the employed which, from one point of view, is as important and vital to the unemployed as the unemployment insurance benefits are important and vital to the unemployed.

Why do I say that? Because we need somehow to do a better job of educating the American people in respect to the nature of our economic system.

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

Mr. MORSE. In a moment. I wish to finish this point, and then I shall be glad to yield.

Somehow a great many people seem to think that our economic system is not dependent upon a pattern of interplay between and among all our people. We need constantly to drive home the point that when there are between 3 million and 5 million unemployed, we are confronted with the danger that the economic illness, of which unemployment is a symptom, will spread and make the whole body seriously ill. One thing about unemployment is that it does not remain static. Either by economic surgery we take it out of the body politic, or it spreads as a cancer throughout the entire economic system. It is about time to do a little surgery.

When I am fighting for unemployment benefits, I am fighting to protect the income of all the people in the economy—doctors, lawyers, dentists, businessmen, schoolteachers, and everyone else who has an income. The economic health of every individual is dependent on the economic health of the economy as a whole. We no longer can rely upon the economic jungle law of supply and demand, in the field of employment or any other economic field.

We need also to look at this vital statistic, namely, that our system itself, the capitalistic economy itself, is dependent for its survival upon production by workers—men and women who gross $2,500 a year or less. That is not much money, Mr. President. But if we take out of production the masses of our people who gross $2,500 a year or less, we would bring the American capitalistic system to a complete standstill within 6 months.

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

Mr. MORSE. I yield.

Mr. DOUGLAS. Is the Senator from Oregon aware of the fact that within the period from May 1953 to April 1954, the total amount distributed in wages and salaries fell by $8,200 million, whereas the total paid out in unemployment benefits was only about $1.6 billion—in other words, that only 19 percent of the wage decrease had been made good by unemployment insurance benefits, meaning that four-fifths of the fall in payrolls represented a net destruction in monetary purchasing power?

Mr. MORSE. I was not aware of those particular figures, to give the Senator an honest answer. I knew that some such proportion existed, which illustrates the very point I am trying to drive home now, namely, that the Senator from Illinois and I, and every other American, are dependent for our economic well-being upon the purchasing power of the masses of the people. If we do anything to destroy the purchasing power of large segments of the masses, all we do is to hurt ourselves, as well as the rest of our fellow Americans.

Mr. HUMPHREY rose.

Mr. MORSE. Before I yield further, let me crystallize this point a little. It is

a point which the American people, when they yield to the temptation of short-term personal selfishness, overlook. They forget that, after all, one of the cardinal principles of enlightened capitalism is the sound Biblical rule of human conduct, that we are our brother's keeper.

I am always surprised when I find people within our population who do not recognize that, after all, our economic system depends for its survival upon putting into practice the moral laws upon which our spirituality also is dependent. The moral law that we are our brother's keeper is a sound rule of enlightened capitalism. It happens to be one of the basic moral principles of an unemployment insurance benefit system. But it is extremely difficult to get selfish people to apply these moral laws outside of church on Sunday.

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

Mr. MORSE. The only time they want to apply it is when they are sitting in the pew in church and feel that at least they cannot argue with the minister. Mr. President, I am talking about taking this great moral principle and applying it legislatively. If we will follow that course of action, we will preserve what is called the American way. If we do not follow that course of action, we will destroy the American way.

That is why I wish again to emphasize this point, namely, that we have in our economy a group of workers who gross so little each year that none of us here would wish to try to raise a family on it. They gross as little as $2,500 a year. If anyone wishes to raise my figure, very well. Let us raise the figure to $3,500. I still make the same statement as to the $3,500 class.

There is no question about what would happen if we took out the $2,500 class. Our economy would collapse. That is true. I do not ask Senators to take that statement from me alone.

Mr. President, I do not want anyone to talk to me from any selfish standpoint about unemployment insurance benefits for the masses of people in the $2,500-a-year class. If anyone wants to look at it from the standpoint of an American citizen's individual selfishness, then he had better see to it that Congress passes unemployment compensation legislation which will provide that when such people are unemployed they will get not 50 percent of their wages, but practically their whole wages. Why? Because if they do not get practically their whole wages, they will be thrown on society as a whole. If they are thrown on society as a whole, without jobs and without unemployment-insurance benefits, there is created a tremendously serious social and economic problem within our body politic.

Mr. President, I am not afraid of some of the ugly words this administration throws about with such abandon, such words as "subsidy" and "creeping socialism." If anyone wants to call giving an unemployed man who grosses $2,500 a year, or less, practically full benefits equal to his weekly wage, either a subsidy or creeping socialism, I am for that kind of subsidy, and I am for that kind of creeping socialism. I know that when I am for that kind of assistance to fellow Americans, I am not only carrying out the moral law to which I have previously referred, but I am protecting my own interests and those of my family and those of Americans generally, because this economy cannot stand the loss of purchasing power of the masses of people who gross $2,500 a year or less, and survive.

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

Mr. MORSE. I yield first to the Senator from Minnesota.

Mr. HUMPHREY. I thank the Senator. First of all, I wish to pay tribute to the Senator from Oregon for relating the issue of unemployment compensation to the total dimensions of our economy. It must be observed in the proper perspective.

I have in my hand a clipping from the St. Paul Pioneer Press of May 13, 1954. The article is entitled "Wisconsin Farm Buying Power Drops." Within the last month in my State of Minnesota farm purchasing power dropped 8 percent. The article I have in my hand reads—and I believe the Senator will find it apropos of his comments—as follows:

> The Wisconsin farmer's buying power was lower last month than at any time since October 1940, the Federal-State Crop Reporting Service said Wednesday.
>
> The Service said prices received by farmers have decreased an overall 26 percent, while there was a drop of less than 3 precent in the prices paid by farmers for production and domestic use.

Someone may ask, "How does that apply to unemployment compensation?" The fact is that when we see a decline in farm prices and farm income, we also see a corresponding decline in employment and a rise in unemployment. Statistics over the years show that farm income and workers' income run almost parallel up and down together.

Mr. President, we will soon be discussing in the Senate what should be adopted as a farm legislative program. I think it is crystal clear that if we legislate in the farm area and do not legislate in the area of unemployment compensation, the whole body politic will be weakened.

This is not a matter of charity. The Senator is making a case not only in behalf of unemployment compensation. This is a matter of economic survival.

What amuses me is that some of the loudest proponents of free enterprise are the ones who are giving it economic arsenic. They are the ones who are giving it just a little dose of poison by letting it die on the vine, so to speak. It is about time we realize that the capitalistic free enterprise system does not depend on how rich 2 people out of 100 are, but on how well the 98 are doing. If the 98 are doing all right, then the 2 will do all right, too. It is something like the passage in Scriptures to the effect that there is more rejoicing in heaven at the repentance of a single sinner than there is over 90-and-9 just persons who need no repentance.

What I am trying to say is that if we take out of our society those who are unemployed, we weaken the whole economic structure. That is what the Senator is talking about.

I should think we would have considerable support from the other side of the aisle for increasing unemployment compensation benefits, because the Republican Party stands for free enterprise. That is its great slogan, I may say. If the Republican Party does stand for free enterprise, it ought to make sure that those who have free enterprise will have a chance to keep their enterprise alive.

Mr. MORSE. I thank the Senator from Minnesota very much for his contribution, and I think his point of view is unanswerable. However, let me say to him that I have never understood that those who follow the reactionary economic philosophy really understand the meaning of free enterprise. It has always been my observation that it has been those of the liberal point of view who have really sought to protect the free enterprise system in keeping with its true meaning; just as this afternoon some of us on the floor of the Senate are trying to maintain free enterprise in relation to the purchasing power of the mass of American people. Unless we maintain their purchasing power at a reasonably high level, we will have no free enterprise system—the Senator from Minnesota pointed out the direct relationship which exists between farm prices and the wages of workers—because unless there is a high purchasing power among the masses of the American people, there is no purchasing power with which to buy the products of the factories of America, from which the wage earner gets his paycheck.

Mr. HUMPHREY. Mr. President, will the Senator yield further?

Mr. MORSE. I yield.

Mr. HUMPHREY. On Saturday of the past week I read an Associated Press dispatch which said that the International Harvester Co. had cut its employment rolls by another 450 employees. Why? Because farm machinery is not being sold. Whom does that hurt? It hurts not only the farmer who would like to have new machinery, though he may be able to get along with the old machinery for a while, but it hurts the International Harvester Co. and the 450 workers who have been laid off. It will also injure every drugstore operator, every telephone company, and every utility in America.

I should like to make this final point, Mr. President. I wonder what the unemployed workers of America are thinking today, as we debate unemployment compensation benefits in the Senate with such a sparse attendance. Over 3 million people in this Nation are without income today. By the way, that is only a statistical report, which is by far too conservative. Let me say that any Member of the Senate who goes back to his State and really talks to the people, generally, instead of merely to some of the people, will find that there is plenty of unemployment. Three million Americans, some of them with children, are literally at the end of their economic

lifeline, trying to pay their debts, trying to buy food for their families, trying to save their homes, or trying to keep their car on the time-payment schedule.

Where is the Senate? I do not know. Millions of people are in trouble, and yet we cannot even get a corporal's guard to attend this debate on one of the great economic issues of our time. It must appear to the American people that there is at times a callous disregard here for the economic well-being of millions of our citizens. This problem will be aggravated by the month. I am looking at my friend from Rhode Island [Mr. PASTORE], who is here to protect the well-being not only of the people of Rhode Island, but of every workingman and businessman in America. There is economic trouble in Rhode Island. It also exists in Illinois, in Massachusetts, in Oregon, and in Minnesota; and many, many other States.

When we discuss a matter which deals with the economic life of the people, we are not discussing some theoretical question. Unemployment compensation benefits have run out in many instances. I could exhibit to the Senator from Oregon a picture taken in my own city during the past week, showing, in a prosperous America, a soup line a block and a half long, composed of people marching into a kitchen to get something to eat. That is not a laughable subject; it is a tragic spectacle. I could not believe my own eyes until I took a cameraman along with me to make the picture. Those people are willing to work, but they have no jobs. They become a burden upon society from no desire of their own. A proposal has been advanced by the Senator from Massachusetts and some others of us who have joined with him to administer sound economic medicine for a sick economy; and this administration refuses to recognize the symptoms of economic illness.

Mr. KILGORE. Mr. President, will the Senator from Oregon yield?

Mr. MORSE. I yield.

Mr. KILGORE. I should like to ask the Senator if his experience is the same as is my own. The Senator from Minnesota invited attention to the estimated unemployment figures. So far as my State is concerned, the estimated unemployment is 65,000, but I find that there are 81,241 persons drawing unemployment compensation, showing that the estimate, which is always said to be too big, is too little when it applies to a State like mine. Is it not a fact that the head of a family making $3,500 a year, with present costs, cannot put aside very much money for a rainy day?

Mr. MORSE. That is correct.

Mr. KILGORE. I should like to highlight one thing. In 1953 there were 46,361 persons drawing unemployment compensation. Of that number 6,444 had exhausted all their unemployment compensation benefits by the end of a 6-month period. Our law provides compensation payments for 23 weeks. Of the 81,241 persons, 11,525 had, as of June of this year, exhausted their unemployment compensation benefits, which meant that they had to go on relief. Stores are laying off clerks. I saw a big headline in 1 of our newspapers which reported that 1 firm had laid off 30 employees from maintenance duties. Unless the unemployment figures decrease in the State from which I come, we are going to have soup lines. There are already enormous numbers of persons on relief. That will break the merchants. It will affect dentists, physicians, and the whole economy, because on a normal scale the figures now represent a quarter of a million persons who have no source of income except unemployment compensation. When that is exhausted, they have nothing on which to live.

Mr. MORSE. I wish to thank the Senator from West Virginia, as well as the Senator from Minnesota, for the substantiating remarks they have placed in the RECORD, bearing out one of the major premises of my speech. I now yield to the Senator from Illinois.

Mr. DOUGLAS. Is not the nub of the political and economic question with which we are dealing the issue of whether the standards for determining the amount of benefits shall be left entirely to the States or whether the Federal Government has an obligation to prescribe minimum standards?

In that connection, I should like to ask the Senator this question: We now have given complete autonomy to the States with regard to the duration of benefits, the scale of benefits, the conditions surrounding eligibility, and so forth. But the States have also universally adopted a system of merit rating under which the amount which employers have to put into the State funds is determined according to the amount of benefits paid during the past year to their specific employees. Therefore, if the State increases benefits, extends duration, and liberalizes eligibility requirements, the result is that the employers in the State will pay a higher rate of assessment than they formerly paid and a higher rate of assessment than employers in other States pay. As a result, we have competition between the States in keeping standards low—the very thing which the original national act of 1935 was intended to prevent.

Is not the method proposed by the amendment of the Senator from Massachusetts one of prescribing minimum standards so that States will not compete against each other in lowness of benefits but will move together to provide adequate purchasing power to help make good the decrease in income?

Mr. MORSE. That is exactly the purpose of the amendment offered by the Senator from Massachusetts.

I thank the Senator from Illinois for pointing up this particular matter. Part of my thesis is that there are serious State responsibilities in connection with this question, and there are also national effects of unemployment. The people of my State have a very definite economic interest in the amount of unemployment in the State of Massachusetts, or in Illinois, or in Texas, because the economic effects of unemployment do not respect State lines. They extend throughout the Nation. I said yesterday that unemployment moves forward in economic waves of disaster. Disaster takes on a variety of characteristics. It causes a very serious effect on the purchasing power of persons who ordinarily buy goods manufactured in various States. If there is a great deal of unemployment in one State, the goods manufactured in another State will not have a market to the extent that unemployment has a causal relationship to the sale or nonsale of goods manufactured in another State. So I think the Senator is completely correct, and his statement is very helpful in pointing up this question.

Mr. LEHMAN. Mr. President, will the Senator from Oregon yield?

Mr. MORSE. I should like, first, to yield to the Senator from Oklahoma [Mr. MONRONEY], and I do so with an apology on my lips, because earlier I told him I would yield and then completely forgot about it when I had finished the point I was making.

Mr. MONRONEY. Mr. President, I thank the distinguished Senator from Oregon, and I wish to compliment him on his remarks in reference to the protection of private industry. I think one fundamental maxim is recognized by private interests, and that is that business cannot be done in an economic desert. When income begins to recede for a group, class, or section, then unemployment becomes progressive, as a landslide is progressive, and it gathers momentum until, instead of there being 5 percent unemployment, there will soon be 10 percent; and the increase will multiply by mathematical proportions until it becomes 20 percent, 40 percent, and so forth. Then major economic collapse occurs.

This program has stood the test of small economic crises, but the time has now come when it is necessary to consider strengthening the bulwarks to prevent a landslide of great proportions. In view of the plain economics of our country's prosperity, I think this program is one of the cornerstones of a continuing prosperous situation. We are not legislating a handout to the unemployed; we are not trying to hold the body together by soup-line methods. We are trying to insure sufficient fuel being in the carburetor to supply gasoline to all eight cylinders, in order to move the economic machine down the road at its normal efficiency and effective speed.

I wish to thank the Senator from Oregon for his yielding to me a brief moment in the discussion.

Mr. MORSE. I deeply appreciate the comments which have just been made by the Senator from Oklahoma.

I now yield to the distinguished Senator from New York.

Mr. LEHMAN. Mr. President, I had the privilege of rising several times yesterday in support of the amendment, which I think is a sound one. My conviction with respect to its soundness and necessity has been increased by the very useful and constructive remarks of the distinguished Senator from Oregon.

I think probably I have been able to watch the development of unemployment insurance in a State as long as any other

Member of the Senate. I was Governor of my State at the time the law was enacted by the Federal Government in 1935 and when the implementing measure was adopted in the State of New York in 1936. At the time the law was adopted a very, very small weekly sum was paid to those who were out of employment, and the period during which unemployment compensation was paid was a very short one. I believe it was as low as 16 weeks or, at the most, 18 weeks. Gradually, over the years, both the rate of compensation and the duration of the payments of compensation to the unemployed were increased.

Every time that was done, it resulted in increasing prosperity and the economic welfare of the entire State, in addition to giving to the unemployed an opportunity approximately to maintain, at least for a limited time, their families and their standard of living.

We have heard much about the merit system. The distinguished Senator from Oregon referred to it yesterday, and I know that his views and mine are similar. I have seen how such a system works in New York. Within 2 years after the unemployment insurance law was enacted in New York in 1936, bills were introduced to adopt a merit system for employers. I had the great pleasure of vetoing such a bill each session for 3 or 4 years.

Mr. DOUGLAS. Mr. President, will the Senator from New York yield?

Mr. LEHMAN. I yield.

Mr. DOUGLAS. As long as the Senator from New York was Governor of his State, there never was a merit system put into effect in that State. Is that not true?

Mr. LEHMAN. There never was; and it gave me very great satisfaction to veto a merit system bill every year, because I thought it was unsound, unfair, and contrary to the public interest. But when my last term of office as governor expired in 1943, a merit system came into being.

Mr. MORSE. The Senator from New York was then succeeded by a Republican administration; was he not?

Mr. LEHMAN. I was succeeded by a Republican administration, my successor being Thomas E. Dewey, who is now governor of the State.

There is no justification at all for a merit system. Those employers who benefit by a merit system deserve little credit for maintaining stable employment. They are usually firms whose product is in great demand and who, therefore, can operate continuously; they are not affected by the seasonal fluctuation of employment. But the fellow whose product sometimes falls off in demand, or the man whose business is seasonal, not only does not receive the recognition of the merit system, but also is put to a greater tax burden, which further jeopardizes the continuity of the fund, since large sums of money are being paid to those who under the law benefit by the merit system. If the merit system did not exist, considerably increased benefits, of course, could be paid to the unemployed.

The pending amendment is very moderate, being limited to a maximum of two-thirds of the wages and a minimum of one-half of the wages, with the duration being limited to 26 weeks. I cannot imagine anything more fair—and I emphasize—not only fair to the workers whose interests should be our main interests, but also to the great benefit of the entire economy of the State, because it stabilizes and, many times, increases the purchasing power of the consumers, who, after all, are the backbone of the economy of every unit of government.

TRIBUTE TO SENATOR LEHMAN

Mr. MORSE. I wish to say in reply to the Senator from New York—and I hope what I shall say will not personally embarrass him—something I have been wanting to say to him for a very long time on the floor of the Senate, and that is this: When we come to great pieces of humanitarian legislation—and that is what the amendment offered by the Senator from Massachusetts is—the Senator from New York makes me feel very humble, because there he stands, in my judgment, one of the great statesmen in American history of recent decades; as I have been heard to say once before, one of the great giants among the liberals, not of our day alone, but of our history; a man of tremendous wealth, a banker, but also a man who has always recognized the direct relationship of the major thesis which I am arguing for this afternoon, namely, the welfare and the purchasing power of the masses of the American people, and the perpetuation of the capitalistic system itself.

The junior Senator from New York is a man who has recognized that, after all, the masses of the American people are dependent for their political and economic freedom upon the perpetuation of an enlightened capitalism. This is a matter which works both ways. The people are dependent upon an enlightened capitalism; and enlightened capitalism is dependent upon the purchasing power of the masses of the people.

Here is a great statesman, who for years was the Governor of the so-called Empire State, and who, in the Governor's chair, fought for putting into legislative practice the moral law, to which I referred earlier in my speech this afternoon; namely, that we are our brother's keeper.

This is a society of free people for what purpose? Not for the purpose of advancing and enhancing the selfish interests of the individual, but for promoting the general welfare of all the people. This is the objective of this political society of ours.

But that objective is reached only if we are willing to translate into legislation the great moral laws upon which a free society is dependent.

I have been wanting, for a long time, to pay this tribute to the Senator from New York because, in my judgment, as I have said many times out of his presence, before audiences in America, he, by a life's work, has demonstrated American statesmanship at the highest level, and he has proved that there is no relationship between the personal wealth of an individual and the recognition of his responsibility to translate the moral law into legislation.

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

Mr. MORSE. I yield.

Mr. LEHMAN. I am deeply grateful to the distinguished junior Senator from Oregon for his very generous comments with regard to my work and my principles and views. I fully know that I do not deserve the unusually complimentary remarks made by the Senator; but I want him to know that they have fallen on very welcome ears. I am glad and proud that I am only one of a very substantial group of Members of the Senate—in the forefront of which is my distinguished colleague from Oregon—who are dedicated to the public service, who wish to see justice done, who wish to see fair play for everyone, and who desire to make certain that all segments of our population share, at least to the extent which is possible, in the prosperity and blessings of our Nation.

I thank the Senator from Oregon very deeply, indeed.

Mr. MORSE. The Senator from New York is, on this occasion, as he is on all occasions, very sweet about the views expressed by his colleagues concerning him, but I am perfectly willing to let his colleagues be the judges as to whether or not the remarks I have made about him are not deserved on the basis of the great record he has made through a long lifetime of public service.

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

The PRESIDING OFFICER (Mr. PAYNE in the chair). Does the Senator from Oregon yield to the Senator from Rhode Island?

Mr. MORSE. I yield.

Mr. PASTORE. I should like to make a rejoinder to the observations expressed by the distinguished Senator from Minnesota [Mr. HUMPHREY] a short while ago. In considering the whole area of employment and unemployment, I am afraid we drift into the habit of making it a statistical or an impersonal discussion. The idea of working and not working involves a very human problem. It is of very little comfort to a man who has a family to support and who is out of work and looking for work, who is able to work but cannot find employment, to pick up a newspaper and read that in June a million more people were employed than were employed in May, the month before, because the fact that that particular individual is out of a job is a very personal problem to him.

The news of the increase in employment is very encouraging, and I trust that the number of employed will continue to rise and rise until every available person in the United States is working; but until that point is reached, I cannot forget that in my State 13 out of every 100 persons are out of work. They are people who are willing and able to work, but cannot find work. That is a human problem. For us to say it is the problem of that particular State I think begs the question a little, because more than 90 percent of the products

manufactured in my State are sold in the other 47 States. The unemployment means that a demand for the goods being produced in my State does not exist in the other States. It means that the people in the other States are not buying as much as they used to buy.

Even though the employment picture for the month of June may be more encouraging than it was in the month of May, the fact still remains that in my State 13 out of every 100 persons are unemployed. That presents a serious problem.

While I agree that the enactment of the amendment suggested by the distinguished Senator from Massachusetts would be a great boon to our economy, the fact of the matter is that I do not think it goes quite far enough. I believe we have to recognize the fact that even though we must set a Federal standard of raising the benefits and make it effective for a long time, some States which cannot meet the responsibility have to be backed up by the Federal Government, because there is a Federal concern involved. So long as there exists 1 bad situation in 1 State, it will be only a question of time before that situation creeps and creeps and creeps until it spreads all over the country, and until one day we will run smack into a depression. That is precisely what happened in the latter part of the 1930's.

Mr. MORSE. I wish to thank the Senator from Rhode Island for supporting me in the major premise of the case I have undertaken to present. That was the burden of my remarks.

Mr. President, while the Senator from Rhode Island has spoken respecting the situation in Rhode Island, I think it is appropriate, and I ask unanimous consent, to have printed in the RECORD at this point in my remarks a report of the State Unemployment Compensation Commission of the State of Oregon for July 1954, under the heading, "Unemployment Payments for 1953–54 Benefit Year Second Highest on Record; Tax Receipts Continue Decline, Dropping Reserve Fund $10½ Million."

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

UNEMPLOYMENT PAYMENTS FOR 1953–54 BENEFIT YEAR SECOND HIGHEST ON RECORD; TAX RECEIPTS CONTINUE DECLINE, DROPPING RESERVE FUND $10½ MILLION

Payments to insured unemployed workers amounted to $23,430,100 during the 1953–54 benefit year, second highest in the history of Oregon's unemployment law. The increase was 33.1 percent over 1952–53 but was 9.8 percent lower than the all-time high of $25,962,151 in 1949–50. More than two-thirds (68.2 percent) of the annual total came during the past half-year with each of its first 3 months well over $3½ million. June payments of $1,125,393 were 30 percent higher than a year ago.

Claims were received from 115,000 persons during the year, and more than 88,000 were paid at least 1 check. Upward of 19,000 beneficiaries exhausted their 1953–54 compensation, and many of them have filed new claims based on their earnings during the calendar year of 1953. With the exception of the 1949–50 benefit year, all these figures are the highest reported under current provisions of the law. In 1948–49 with a benefit schedule calling for considerably lower duration, the number of exhaustees was slightly higher.

Balanced against these near-record payments were tax reecipts of $11,225,088 during the 12 months ending June 30. Interest from the Federal Government on the reserve fund fell under the $400,000 mark last quarter for the first time in several years, but the year's total was $1,679,020. The drop in the reserve fund was nearly $10½ million since July 1, 1953.

With average tax rates under experience rating declining, with taxable payrolls also beginning to drop, and with interest payments lower, income in 1954–55 is expected to continue a downward trend. Meanwhile the upward spiral in compensation shows little sign of abating. Payments in June marked the 33d consecutive month in which they have exceeded the corresponding period a year earlier.

Oregon benefit payments issued for week ending June 26, classified by local office and industry of last employment

Employment office	Area total	Forest and fishing	Construction	Food processing	Lumber and logging	Other manufacturing	Transportation and utilities	Trade	Finance and n. e. c.
Industry totals	9,175	162	955	879	2,166	1,462	447	2,076	1,028
Albany	121	3	15	34	24	2	4	28	11
Astoria	169		10	28	58	36	12	13	12
Baker	134	5	13	3	65	3	5	21	19
Bend	223	8	25	9	94	9	12	46	20
Coos Bay	318	7	32	6	155	8	17	64	29
Corvallis	92	1	14	2	41	1	8	16	9
Eugene	603	12	59	19	280	13	23	141	56
Grants Pass	138	5	14		74	1	8	18	18
Hillsboro	267	6	21	83	60	31	10	44	12
Hood River	43	1	11		13			13	5
Klamath Falls	204	6	13	7	65	5	8	70	30
La Grande	136	5	14	2	75	1	5	23	11
Lakeview	58	4	3		35			8	8
Lebanon	154	5	3	9	93	5	9	18	12
McMinnville	235	4	4	66	79	9	10	40	23
Medford	272	6	19	13	64	8	16	109	37
Milton-Freewater	47	4	4	15	5	1	3	14	1
Ontario	83	7	7	15	15		3	29	7
Oregon City	273	9	34	13	88	53	15	41	20
Pendleton	142	3	38	6	19	6	15	28	27
Portland	4,112	36	423	284	347	1,216	229	1,037	540
Roseburg	158	1	14	2	70	3	5	40	23
Salem	606	8	73	216	92	33	10	122	52
The Dalles	234	10	68	30	53	6	8	41	18
Tillamook	79	1	7	3	46	2	2	10	8
Toledo	274	5	17	14	156	10	10	42	20

Summary of active claims and benefits: 1953–54

	June 1954	Cumulative, 1954	June 1953	Cumulative, 1953
1. Number of new claims	12,939	114,451	11,955	97,245
(a) Filed in Oregon	12,522	104,687	11,502	89,492
(b) Filed in other States	417	9,764	453	7,753
2. First payments	1,893	87,900	1,868	70,190
3. Expirations of benefits	2,355	18,792	1,712	12,939
4. Unemployment benefits:				
(a) Number	50,677	1,045,945	39,020	758,586
(b) Amount	$1,125,393	$23,430,100	$865,784	$16,853,519
5. Federal payments to veterans:				
(a) Number	3,607	56,354	1,406	18,158
(b) Amount	$81,024	$1,216,288	$29,192	$381,764
6. Expiration of Federal payments	59	359	9	24
7. Federal first payments	288	4,471	156	2,177
8. Amount in reserve fund	$60,791,780		$71,239,658	

LABOR DISPUTES AND LATE SEASON BRINGS INCREASE IN NUMBER OF JOBSEEKERS; CLAIMS FOR 1954–55 BENEFIT YEAR JUMP TO HIGHEST FIGURE SINCE 1947

Labor disputes and a late season were jointly responsible for a 6,300-increase in the number of jobseekers reported this month by 26 offices of the State unemployment compensation commission. About 38,900 persons were actively seeking work at the midyear as compared with 32,600 on June 1 and 25,500 a year ago. Only 620 unfilled job openings were counted by local office representatives as of July 1, lowest number at this period since the end of the war.

About 3,400 of the new jobseekers were among those out of work as a result of the dispute between lumber operators and employees. Several offices in the heart of the Timber Belt reported few of the strikers asking for agricultural and other temporary work, but most of those laid off as an indirect result of the tieup were in the labor market. The entire unemployment situation was expected to be clarified in the next week or two.

Eastern Oregon areas were affected but little by the tieup in fir lumber. The Dalles, La Grande, Baker, and Milton-Freewater reported many finding jobs in agriculture and industry, while Hillsboro and McMinnville made the best showing in the western part of the State. The Portland area had nearly 50 percent more jobseekers than a year ago.

New and transitional claims received from insured workers as a preliminary to the 1954–55 benefit year which started this month are the highest since the changeover to the midyear benefit year was made in 1947. More than 20,000 persons will have claims on record when first requests for compensation are possible July 12, it is anticipated. In the benefit year being closed up continued claims have been running about 12,000 a week since mid-May, well above recent comparable periods, but cut down considerably by the 19,000 who exhausted their 1953–54 benefit rights.

Employment and payrolls of covered employers, by main industry in 1953 as compared with 1952

	Number of employers	1953 average employment	Percent gain or loss, 1952	1953 payrolls	Percent gain or loss, 1952
Total	18,102	329,353	−1.0	$1,298,380,028	2.2
Agriculture, forestry, and mining	197	1,969	−6.6	7,508,245	2.4
Construction	2,083	20,762	−5.1	96,387,334	−2.7
Food processing	423	18,004	1.4	61,674,577	2.3
Lumber and logging	2,915	78,945	−4.7	351,311,233	−2.4
Other manufacturing	1,066	42,592	3.4	183,279,464	5.2
Transportation and utilities	950	30,631	−2.7	129,523,118	3.3
Trade	7,023	92,923	.4	331,933,337	4.1
Finance and realty	797	14,415	4.2	53,061,899	9.9
Service, n. e. c	2,648	29,112	3.6	83,700,821	8.6

EMPLOYMENT AND COVERED PAYROLLS IN BASIC INDUSTRIES EASE OFF IN 1953; MOST OTHER GROUPS SET NEW HIGHS, COMPLETE REPORTS FROM 18,102 FIRMS SHOW

Payrolls covered by the unemployment law reached new highs for the year of 1953 but average employment dropped about 3,000 from the records established in 1951 and 1952, according to completed tabulations of 18,102 employers' reports. Losses took place mainly in construction, lumber and logging, transportation and utilities. The latter 2 groups, however, recorded small gains in payrolls for the entire calendar year.

Lumber and wood products firms dropped from 3,161 to 2,915 in 1953; average number of jobs from 82,839 to 78,945; and covered payrolls from $360 million to $351 million. Employment in this basic industry reached a peak of 84,061 in 1951 but payrolls were highest in 1952.

Employment in construction reached a high of 24,101 in 1951 and also set the payroll record of $104,141,426 for the same period. Miscellaneous manufacturing, trade, service, finance and other main groups recorded gains last year, establishing new highs in both average employment and payrolls.

Number of claims received in local offices and payments made

Local offices	New claims		Weeks claimed		U. C. payments	
	June 1954	June 1953	June 1954	June 1953	June 1954	June 1953
State total	15,913	12,628	53,436	41,626	$1,125,393	$865,784
Hillsboro	366	191	1,869	1,382	38,432	30,219
Portland	5,430	4,847	24,070	14,556	468,646	270,957
Astoria	469	357	1,016	1,192	21,721	23,447
Hood River	84	43	365	191	5,314	2,732
McMinnville	337	300	1,295	994	24,376	18,083
Oregon City	466	397	1,713	1,215	33,642	25,381
Tillamook	277	97	406	268	7,298	6,064
Salem	1,245	1,021	4,053	3,272	67,495	67,709
Albany	195	203	617	724	11,058	12,428
Corvallis	149	113	509	443	7,992	8,460
Toledo	211	265	671	876	15,638	18,959
Lebanon	456	220	953	885	17,401	17,248
Eugene	1,955	1,428	3,701	3,601	73,209	66,202
Roseburg	492	369	1,096	1,460	$19,216	$32,340
Medford	519	509	1,691	1,815	30,340	36,452
Grants Pass	335	339	945	1,653	14,730	28,544
The Dalles	283	228	1,053	774	17,675	13,379
Coos Bay	1,161	474	1,789	1,887	33,093	38,149
Klamath Falls	499	390	1,435	1,239	25,218	22,484
Bend	381	204	1,155	647	25,761	13,703
Lakeview	97	117	434	410	7,741	7,584
Pendleton	175	297	839	903	15,964	18,132
La Grande	110	98	523	333	12,993	7,202
Milton-Freewater	29	21	361	182	5,304	2,792
Ontario	126	53	403	251	6,644	4,465
Baker	66	47	474	473	11,900	10,218
Interstate					106,592	62,451

Mr. HUMPHREY. Mr. President, will the Senator from Oregon yield at that point?

Mr. MORSE. I yield to the Senator from Minnesota.

Mr. HUMPHREY. In line with the remarks of the distinguished Senator from Rhode Island [Mr. PASTORE], I merely desire to make note of the fact that if the amendment which is pending, the Kennedy amendment, shall be agreed to and enacted into law, and employment shall be at a high level, the cost, of course, under the amendment, will be very nominal. If unemployment is at a high level, then the benefits which are authorized under the Kennedy amendment will be of significant proportions and of significant help so as to relieve the economic situation. In other words, here is an amendment which will help us coming and going. If the economic situation is good, it will not place any great economic responsibility on the State or the Nation for the unemployment compensation benefits, because the benefits and the beneficiaries will be in very limited number. But if the unemployment number is up, and if the situation, as the Senator from Rhode Island has pointed out, is such that 10 or 13 persons out of every 100 may be out of employment, then there will be obtained benefits which will be sufficiently important economically to have a stimulating effect on the economy, and which will also have a humanitarian effect upon the families involved.

I surely agree with the moral lesson which the Senator from Oregon has drawn. It is not merely a matter of economics or statistical evidence; it is a matter of fundamental moral purpose and concern, the matter of being one's brother's keeper—not simply for the love of it, but because of the great economic values involved, and also because of the humanitarian values involved.

I think we must not look at the amendment as a cost item. That is a subject which I am sure will be brought to the forefront; but the answer to that argument is that it involves an economy in which there is full employment. If we do not have a fully employed economy, then there should be provided benefits which will do some good. In other words, the answer to medical bills is good health. If one has good health, then he does not have to worry about the fee of the doctor and the cost of medicines; but if one is sick, he does not take a drink out of the creek; he gets a good

doctor and obtains good medicine, and the cost will be considered very low if he gets well.

Mr. MORSE. In the latter circumstance, I think he also should have some health insurance. I wish to thank the Senator from Minnesota, because his remarks, as do those of the Senator from Rhode Island, buttress the point of view which I am trying to support in the Senate this afternoon, namely, that we should follow the full intent and purpose of the Full Employment Act of 1946, which is what we are seeking to do by the Kennedy amendment. I think the Senator is quite correct when he says there should be other improvements. However, we should go at least as far as the Kennedy amendment proposes to go. I am willing to go further right now, before we dispose of the pending legislative proposal.

Mr. President, I now return to the thesis I was discussing prior to these very helpful interruptions. I wish to ask, just how much has the administration's laying-on-of-words, its playing at hide-and-seek with the calendar, done to put men back to work and to get us out of the trouble we are in? I say it has done nothing. We have not even been holding our own.

SEASONAL INCREASE BELOW NORMAL

Employment increased from January to June, but by far less than is usual for this season of the year. The rise this year was 2,345,000; the 1950–53 average was 3,706,000; the 1946–49 average was 4,089,000. Total civilian employment in June was 1,074,000 less than in June 1953. Employment on farms was 500,000 less, and in nonfarm occupations 570,000 less than in June 1953. This is not progress. It is not even holding still.

The report issued on Wednesday to the effect that unemployment increased from May to June by much less than is to be expected at this season of the year was played up by the Departments of Commerce and Labor as though here at last was a distinct sign of improvement. I say it was no such thing. Unemployment increased less than usual for this month because the number of persons in the civilian labor market increased less than usual. Had the normal number of new workers come on the market in the first week of June, unemployment would have come very close to 4 million workers, according to the statistical standards the administration uses. The labor market increase for May–June was 1,020,000; the 1950–53 average was 1,610,000; the 1946–49 average was 2,140,000. How anyone can spell good tidings out of this evidence that we have closed the doors of opportunity to more than half a million young people who otherwise would have been looking for work in June, I am not able to understand. But as I read my newspaper last Thursday morning, that is what I discovered the administration was trying to do.

STEADY DECLINE IN INDUSTRIAL EMPLOYMENT

Now, to get to the hard core of our industrial economy, here is a central fact that the administration's cheerleaders would like you to forget: Factory employment fell in June, for the 10th month in a row. The total reduction since last August has been 1,708,000 workers. Almost 10 percent of the jobs that were provided by manufacturing industries in that month had disappeared.

In addition to employing fewer workers, manufacturing industries were providing 1.1 hours less work per worker per week in June 1954 than in June 1953. Applied to a force of about 16 million workers, this reduction in the workweek is the equivalent of total unemployment for another 440,000 workers in the manufacturing industries.

INADEQUACY OF ADMINISTRATION UNEMPLOYMENT STATISTICS

Mr. President, I think this is a good place to point out how the administration's unemployment figures never have told an accurate story of the unemployment condition, because, as the people of the country should realize, the figures the administration has been giving them are based upon unemployment insurance benefit figures, and represent only the group of unemployed persons who are eligible for unemployment insurance benefits.

Let us consider the total unemployed class, because this is the group we must take into account if we wish to see what the unemployment picture is. Of course, there is the group the administration uses, which, during the past year, has ranged from 2½ million to almost 4 million persons, according to the administration's own figures. Then there is the group of those who have exhausted their unemployment insurance benefits. However, they are not carried in the statistics of any Department of Labor report, although they constitute a substantial number, comprised of many thousands of persons who have to be added to those who still are receiving their weekly unemployment insurance benefits. Then, of course, there are many other thousands who are not eligible for unemployment benefits, but are unemployed; they are without jobs. It is of as great importance to them that they work or that some purchasing power be supplied to them, so they can feed their families, as it is to those who are included in the administration's figures. Then there are the thousands to whom I have just referred, who have suffered as a result of reductions in the workweek. We have to add to the hundreds of thousands I have just mentioned, many thousands more who are working on 2-day or 3-day shifts each week, or, in some industries, 2 or 3 days every alternate week. They are not included in the administration's statistics, either.

Then there are the many thousands of potential new workers, who simply are not included at all in the figures because they never have gotten on a payroll, in the first place, and thus they are not eligible for unemployment benefits. That is why I have been heard to say so many times during the past year, in speaking on the floor of the Senate, that the American people have not been given an accurate picture of the unemployment situation at any time by the Eisenhower administration, because that administration has been quoting only partial statistics on unemployment.

I remember that at one time, when the figure was up to approximately 3½ million, on the basis of the Eisenhower administration's statistics, employment experts said the number undoubtedly was 5 million if one took into account the classes I have just enumerated.

I have not been able to obtain in recent hours a reliable estimate for the situation as of today; but I am satisfied that, as of last week, unemployment in the United States was well over the 4 million mark, if we take into account the classes of unemployed I have just enumerated.

Mr. President, that is not a healthy situation. I know there are reactionaries who think it is a good idea to have in the United States an unemployed pool of between 3 million and 5 million persons, as a disciplinary check upon labor; but those who take that view are playing with danger, the very real danger that unemployment may get out of bounds, once we let that kind of stagnant pool—if they think they can keep it stagnant—remain for a while, and once all the germination of social unrest and disorder really begins to develop in that pool of unemployed.

DECLINE IN INDUSTRIAL PRODUCTION

Therefore, Mr. President, I wish to stress another hard-core fact about the present state of affairs. The overall index of industrial production fell in March, and again in April, and held level in May. But by virtue of a seasonal adjustment applied to the May figure, a widely heralded upturn of 2 points in the index was brought forward. Reference to the May index of earlier years shows this to have been an unusual seasonal adjustment. This year it was adjusted 2 points up; last year 1 point up; the year before, 1 point down; but the fact is that the plain unadjusted index in May was 11 percent below the all-time high established in March of 1953, just before the new tight-money policy had begun to make itself felt and prosperity was forced to give way to Republican recession.

LOW PRODUCTION IN STEEL INDUSTRY

Steel production has risen slightly in recent weeks, but the industry is using only a little more than 70 percent of its capacity.

Mr. DOUGLAS. Mr. President, will the Senator from Oregon yield to me?

Mr. MORSE. I yield.

Mr. DOUGLAS. The figures the Wall Street Journal published today indicate that steel production for the present week will not exceed 65 percent, or about 5 percent more than for the past week.

Mr. MORSE. I think that is more accurate than the figure I used, but I have been indulging in understatement. I like to give the administration the benefit of every doubt. But even when that is done, there still remains an awful situation in the economy. Probably it is more accurate to state that the steel industry is operating at approximately 65 percent of capacity. However, I have used the figure 70 percent. Benjamin Fairless, of United States Steel, says the industry would remain close to that reduced rate for the rest of the year; and Eugene Grace, of Bethlehem Steel, says he will be satisfied if the industry can do that well. Mr. President, that is not very hopeful for steelworkers or for those

representing the States in which the great steel industry operates. This may be a cheerful prediction, as steel profits go; but it holds out little prospect of industrial recovery or for the remployment of industrial workers.

POOR PROSPECT FOR AUTOMOBILE INDUSTRY

Prospects in the automobile industry for the second half of the year cast some doubt on the steel industry's ability to do even as well as these low-level predictions might indicate. In the first 6 months of this year, 9 percent fewer cars and 12 percent fewer trucks were produced than in the same season of 1953. Total sales of from 4½ million to 5¼ million cars are predicted by the industry for this year. It produced 3 million by June 30. A one-third cut in production in the second half of the year appears inevitable. New cars on hand awaiting sale on May 31 had reached the very high figure of 638,000 contrasted with 430,000 at that date in 1953. What signs of an early upturn can anyone find in the automobile picture?

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

Mr. MORSE. I yield.

Mr. DOUGLAS. The figures which the Senator from Oregon mentioned are correct so far as new cars in the hands of new-car dealers are concerned. However, in addition, there is a considerable volume of new cars in the hands of used-car dealers, which do not enter into those figures. Furthermore, there are large numbers of new 1953 models which have not been sold. If, in addition to those, it should be found that there are pools of produced cars which have not entered into normal distributive channels, the situation would be still worse.

Mr. MORSE. The Senator is quite right. The automobile situation is not healthy.

If I may flavor this speech with a bit of personal experience, I shall do so. I just finished a David Harum trade on a car, and I was quite surprised that I could do so well. I have traded horses for a great many years, and have not done so badly, but I did not think I could do so well in the car business.

Without citing any specific figures, let me say that I found the market to be a buyer's market. I found it possible finally simply to say, "This is my check for what I will pay toward a new car, plus my old car," and to my great surprise the check was accepted.

I am satisfied that the Senator from Illinois is quite right. The automobile industry is in the doldrums. It is clearly in a buyer's market, and there is no doubt about the fact that automobile manufacturers have already overproduced, although they have been reducing production. That is why I ask the question, What signs of an early upturn can anyone find in the automobile picture?

RECORD NUMBER OF BUSINESS FAILURES

The 4,812 business failures officially recorded in the first 5 months of this year topped failures in the same period of 1953 by 39 percent. Not since 1941, when the war shortage of materials forced many small outfits to the wall, have business failures come even close to the 1954 figure. The nearest was in 1950 when the 5 months' total was 4,239. These are small businesses; their liabilities averaged only $45,000. They fall by the wayside in record numbers at a time when profits and dividends in the world of large business, sown by the excess-profits tax repeal, continue to feed the fever of a big bull market.

I repeat, things did not get better in April, March, May, or June. Most certainly they did not. The improvement we were told to look for has not arrived. And still there has been no institution of a number of measures which the President on February 18 said would be necessary if there was no change for the better in March.

For the benefit of my colleagues in the Senate I ask at this point unanimous consent to have printed with my remarks in the RECORD two tabulations, one showing the fall of manufacturing employment by States over the past year, and the other listing, by States, the spread of labor surplus areas during the life of this administration.

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

Number of wage and salary workers in manufacturing industries, May 1953 and May 1954

State	Number employed (in thousands)		Decline	
	May 1953	May 1954	Number (in thousands)	Percent
Alabama	232.6	224.0	8.6	3.7
Arizona	28.8	25.7	3.1	10.8
Arkansas	82.5	80.7	1.8	2.2
California	1,054.9	1,021.2	33.7	3.2
Colorado	66.4	62.3	4.1	6.2
Connecticut	459.0	416.3	42.7	9.3
Delaware	62.5	57.2	5.3	8.5
Florida	120.0	123.0	[1] 3.0	[1] 2.5
Georgia	315.8	304.1	11.7	3.7
Idaho	22.9	21.7	44.9	5.2
Illinois	1,335.9	1,207.2	128.7	9.6
Indiana	680.7	570.4	110.3	16.2
Iowa	172.7	160.8	11.9	6.9
Kansas	141.5	131.4	10.1	7.1
Kentucky	159.1	145.8	13.3	8.4
Louisiana	158.2	154.4	3.8	2.4
Maine	114.1	102.6	11.5	10.1
Maryland	266.7	247.1	19.6	7.3
Massachusetts	741.6	663.0	78.6	10.6
Michigan	1,260.2	1,051.8	208.4	16.5
Minnesota	221.4	206.3	15.1	6.8
Mississippi	96.8	91.9	4.9	5.1
Missouri	417.7	380.4	37.3	8.9
Montana	18.1	17.0	1.1	6.1
Nebraska	60.4	58.5	1.9	3.1
Nevada	4.2	4.0	.2	4.8
New Hampshire	81.7	77.0	4.7	5.8
New Jersey	845.9	767.1	78.8	9.3
New Mexico	16.5	16.3	.2	1.2
New York	1,985.6	1,838.7	146.9	7.4
North Carolina	442.7	421.0	21.7	4.9
North Dakota	6.2	6.3	[1] .1	[1] 1.6
Ohio	1,430.4	1,284.2	146.2	10.2
Oklahoma	84.6	82.6	2.0	2.4
Oregon	145.0	135.3	9.7	6.7
Pennsylvania	1,631.9	1,437.7	194.2	11.9
Rhode Island	147.1	122.8	24.3	16.5
South Carolina	225.1	215.7	9.4	4.2
South Dakota	11.8	11.6	.2	1.7
Tennessee	293.7	272.8	20.9	7.1
Texas	439.2	421.5	17.7	4.0
Utah	31.2	29.3	1.9	6.1
Vermont	40.9	36.8	4.1	10.0
Virginia	254.5	236.5	18.0	7.1
Washington	188.9	196.8	[1] 7.9	[1] 4.2
West Virginia	137.5	124.5	13.0	9.5
Wisconsin	477.3	424.4	52.9	10.9
Wyoming	6.0	6.2	[1] .2	[1] 3.3
Total for United States	17,283.0	15,803.0	1,480.0	8.6

[1] Increase.

Source: U. S. Department of Labor, BLS.

Labor market areas of substantial labor surplus as of January 1953 and May 1954

[Areas listed below have 6 percent or more of workforce unemployed; (*) indicates 12 percent or more of workforce unemployed]

January 1953	May 1954
	ALABAMA
Jasper	Alexander City
	*Anniston
	*Gadsden
	Jasper
	*Talledega
	ARKANSAS
	*Texarkana
	GEORGIA
	Cedartown-Rockmart
	*Cordele
	ILLINOIS
Danville	*Aurora
Herrin-Murphysboro-West Frankfort	Herrin-Murphysboro-West Frankfort
	*Joliet
	Litchfield
	*Mount Vernon
	*Peoria
	*Rock Island-Moline
	INDIANA
Terre Haute	*Evansville
Vincennes	*Fort Wayne
	*Michigan City-La Porte
	*South Bend
	Terre Haute
	Vincennes
	IOWA
	*Burlington
	*Davenport
	*Ottumwa
	KANSAS
	Pittsburgh
	KENTUCKY
	Ashland
	Corbin
	Frankfort
	Hazard
	*Henderson
	Madisonville
	Middlesboro-Harlan
	*Owensboro
	Paintsville-Prestonburg
	Pikeville
	MAINE
	*Biddeford
	MARYLAND
Cumberland	Cumberland
	MASSACHUSETTS
Fall River	Fall River
Lawrence	Lawrence
Lowell	Lowell
Milford	*Milford
New Bedford	*New Bedford
Taunton	*North Adams
	Southbridge-Webster
	MICHIGAN
Iron Mountain	*Adrian
	*Ann Arbor-Ypsilanti
	*Battle Creek
	*Bay City
	*Benton Harbor
	*Detroit
	Ionia-Belding-Greenville
	Iron Mountain
	*Jackson
	*Monroe
	*Muskegon
	*Port Huron
	MINNESOTA
	*Duluth
	MISSISSIPPI
	*Jackson
	MISSOURI
	Joplin
	*Springfield
	St. Joseph
	*St. Louis
	NEW JERSEY
Atlantic City	Atlantic City
	*Paterson
	NEW MEXICO
	*Albuquerque
	NEW YORK
Gloversville	*Albany-Schenec ady-Troy
Utica-Rome	*Buffalo
	Gloversville
	Hudson
	Jamestown-Dunkirk
	*Utica-Rome
	NORTH CAROLINA
Asheville	Asheville
Durham	Durham
Winston-Salem	Waynesville
	Winston-Salem

Labor market areas of substantial labor surplus as of January 1953 and May 1954—Continued

January 1953	May 1954
OHIO	
Athens-Logan-Nelsonville	*Canton
	Steubenville
	*Toledo
OREGON	
	*Portland
PENNSYLVANIA	
Altoona	Altoona
Clearfield-Dubois	Berwick-Bloomsburg
Pottsville	Clearfield-Dubois
Scranton	*Erie
Sunbury-Shamokin-Mount Carmel	Indiana
Uniontown-Connellsville	Johnstown
Wilkes-Barre-Hazelton	Kittanning-Ford City
	*New Castle
	*Philadelphia
	*Pittsburgh
	Pottsville
	*Reading
	Scranton
	Sunbury-Shamokin-Mount Carmel
	Uniontown-Connellsville
	Wilkes-Barre-Hazelton
	*Williamsport
RHODE ISLAND	
Providence	Providence
TENNESSEE	
	*Bristol-Johnson City-Kingsport
	*Chattanooga
	*Knoxville
	LaFollette-Jellico-Tazewell
	Newport
TEXAS	
	*San Antonio
	*Texarkana (Texas)
VIRGINIA	
	Big Stone Gap-Appalachia
	Covington-Clifton Forge
	*Radford-Pulaski
WASHINGTON	
Tacoma	*Tacoma
WEST VIRGINIA	
Fairmont	Beckley
Martinsburg	Bluefield
Parkersburg	Charleston
Point Pleasant	Clarksburg
Ronceverte-White Sulphur Springs	Fairmont
	Huntington
	Logan
	Morgantown
	Parkersburg
	Point Pleasant
	Ronceverte-White Sulphur Springs
	Welch
	Wheeling
	Williamson
WISCONSIN	
	*Beaver Dam
	*Kenosha
	*La Crosse
	*Racine
	*Superior

Source: U. S. Department of Labor, Bureau of Employment Security, Division of Reports and Analysis, Area Classification Summary, January 1953 and May 1954.

Mr. MORSE. These tabulations should enable each Senator to see for himself how the problem I have been discussing reflects itself within his own State.

The first of these tabulations shows the number of workers employed in manufacturing in each State in May of 1953 and May of 1954.

Manufacturing employment dropped during this 12-month period in every State except Florida, North Dakota, Washington, and Wyoming. The fall was considerable in many States, as Senators will see. It was 208,000 in Michigan; 194,000 in Pennsylvania; 147,000 in New York. The number was substantial in my State of Oregon. In fact, at the beginning of this year Oregon had the highest unemployment percentage rate of any State in the Union, based upon the test used by this administration, namely, unemployment insurance benefits.

In the percentage rate of decline, Michigan and Rhode Island lead the list. One out of six of their 1,400,000 manufacturing jobs in May 1953 had disappeared a year later. The Indiana job loss was also more than 16 percent.

The other tabulation which I have placed in the RECORD lists, for each State, the labor market areas that are classified by the Bureau of Employment Security in the Department of Labor as "areas of substantial labor surplus." These are areas in which current and prospective labor supply substantially exceeds labor requirements. The most important criterion for placing a labor market in this classification was that 6 percent or more of the available labor was out of work and not awaiting early recall.

These so-called group IV areas are those which the Office of Defense Mobilization once considered to be in such difficulty as to entitle them to special assistance under Manpower Order No. 4. This order directed Government procurement officials, whenever feasible, to set aside portions of their procurement requirements for allotment to manufacturers in these areas, provided they would meet prices established on that part of the requirement which had been let on competitive bids. To date, however, the official reports indicate that procurement officers have quite generally ignored Manpower Order No. 4. Set-asides for areas of labor distress have been negligible, and certainly have accomplished nothing to relieve acute unemployment conditions anywhere.

With publication of the May 1954, listing, the marked increase in unemployment which has taken place was recognized in a new classification designated as "areas of very substantial labor surplus," applied to labor markets in which 12 percent or more of the available labor is out of a job.

In other words, the word "very" is added to the description of these distressed areas in order to focus attention and emphasis upon the labor problem. Here, at least, is one piece of evidence that the administration has not been totally unfamiliar with the worsening economic situation.

The listings of labor distress areas which I have placed in the RECORD span the Republican administration's term in office, from January 1953 to May 1954. In January 1953, 18 of the 182 major labor markets surveyed at that time were classified as areas of substantial labor surplus. An additional 19 smaller labor market areas received the same classification.

By May of 1954, 51 of the 149 major labor markets then surveyed were areas of substantial labor surplus, 7 of these being designated as having a very substantial surplus. In addition 73 smaller labor markets were found to have a substantial surplus, and in 31 of these it was found to be very substantial.

Thus it will be seen that distress labor conditions existed in 10 percent of the major labor markets surveyed in January 1953, coal mining areas accounting for the largest number of these, followed by areas of chronic distress in the New England textile industry.

ONE-THIRD OF MAJOR LABOR MARKETS IN DISTRESS CATEGORY

By May 1954, more than one-third of the major labor markets surveyed were in the distress category. Many areas from West Virginia, down through Kentucky, Tennessee and into the South now appear on the list. Michigan, which had 1 labor surplus area in the earlier month, now has 12, including the city of Detroit. Indiana, Illinois, Wisconsin, Iowa, and Missouri, which earlier had only 3 distress areas among them, now have a total of 24. The Southwest, Mountain, and Pacific Coast States contributed only Tacoma, Wash., to the listing in the earlier month, and have since added 4—Texarkana and San Antonio, Tex.; Albuquerque, N. Mex.; and Portland, Oreg.

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

Mr. MORSE. I yield.

Mr. DOUGLAS. If I may pursue the point which the Senator from Oregon has just made, I may say that the southern part of my State is virtually in a distressed condition, excluding the industrial section south of the city of St. Louis, which has appreciable unemployment.

In the region south, roughly, of the towns of Litchfield and Hillsboro, most of the manufacturing concerns have folded up or greatly curtailed operations, and the coal mines are operating at a greatly reduced scale. All of the regions in this part of the State, outside of East St. Louis, have just been put in class 4B, which is the worst of all, with an unemployment rate of over 12 percent.

In the southern one-sixth of the State, the St. Louis Post-Dispatch made a survey in February, and estimated that there was 20 percent unemployment for that half of the lower third of my State.

Almost immediately following the survey made by the St. Louis Post-Dispatch, a number of mines closed and several manufacturing concerns shut down.

Therefore, the region which is known as Egypt in my State I should say is in a superdistressed condition. In addition, there has been a drought there for approximately a year and a half. Therefore, when the Senator from Oregon speaks about distressed economic conditions, I can say that the people of southern Illinois know very well what is happening. Bearing out the remark of the Senator from Oregon, I have known of no defense contracts which have been siphoned into that area to help fill the void.

Mr. MORSE. I thank the Senator very much. It is further evidence of the pattern I have sought to describe in my speech, showing how widespread the Eisenhower recession really is, and pointing out again that we cannot feed people on slogans and promises, and that we can feed them only if we follow an economic policy that will get for them the spirit and intent of the 1946 Full Employment Act.

Up to this point, Mr. President, I have discussed the recession in the administration's own terms. Their standard, as we have seen, is that we do well enough in our economic life if we hold

to a level course. In fact, they don't mind too much if we slip a little below the level course; many of their industrial friends say that is a good thing for us to do every once in a while. It purges us of what is to them, apparently, the sin of sustained prosperity. Or perhaps what they fear is that if every man has a break, if every little man has a chance to better himself, a job he can count on, a small business he can build without fear of bankrutcy, a farm he can work without fear of the market place, then too many of these little "every-men" may get the dangerous notion that economic opportunity is something that all can share, regardless of their station in life.

NEED FOR AN EXPANDING ECONOMY

Whatever the explanation may be, the fact is that our present administration believes that to stand still is good enough, or at least good enough over quite a space of time. What they do not seem to see is that to stand still is to fall behind. A Nation like ours must have an expanding economy in order to have a healthy economy.

I do not say this on moral grounds alone. Although I am willing to stand on moral grounds alone so far as the issue I have been discussing this afternoon is concerned, I stand on those moral grounds also because they are sound economic grounds. It is about time the administration recognized the direct relationship between morals and economics, and recognized that if we are to have sound economics it should propose a program which will put people back to work, which is something it has not done to date.

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

Mr. MORSE. I yield.

Mr. DOUGLAS. The Senator from Oregon has correctly stated the point that in order to stay in the same place we must really go forward. That is true for another reason also, namely, that the labor force is increasing by approximately 700,000 each year. Therefore, unless the numbers employed increase by that ratio, the number of unemployed rises each year. When two things are happening, namely, a decrease in employment, accompanied by a steady increase in the working population, the situation is much worse than would be indicated by figures of employment alone. Is that not correct?

Mr. MORSE. That is true. I am very glad the Senator from Illinois has brought out the population point. It happens to be a vital statistic which the American people ought to recognize in respect to a great many issues, domestic and foreign, and it is something our people must look at from the standpoint of the direction we are going in, both in the field of domestic legislative policy and in the field of foreign policy.

The question of domestic population increase which the Senator from Illinois has pointed out, resulting in some 700,000 workers being added to the employable lists each year, means that by 1975 the average American family of 4 today will be a family of 5.

What the American people ought to recognize is that by 1975, by increasing the average American family from 4 to 5 there will be added to the population of the United States an increase of people equal to the present population of the following States. I ask Senators to listen to this statement. There will be added to the population of the United States by 1975, through the present population trend, the number of people equal to the number of people now living in the following States: Arizona, Colorado, Oklahoma, Washington, Oregon, California, Montana, Idaho, Utah, North Dakota, Missouri, South Dakota, Nevada, Wyoming, Kansas, Nebraska, New Mexico, and Texas.

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

Mr. MORSE. I yield.

Mr. DOUGLAS. Even more people than in Texas?

Mr. MORSE. Even more people than in Texas. I may have omitted a State or two, but approximately that is the correct figure. I cite it because I think it helps to dramatize the issue the Senator from Illinois raises this afternoon, namely, that we must see now, before it is too late, the direct relationship between the need for the kind of legislation we are arguing for this afternoon and the population needs of the country in terms of providing employment. That is why the Senator from Illinois is so dead right, and why I think our argument is so unanswerable. We must follow a legislative course of action which provides for an expanding economy, because if we do not do so we are headed for economic disaster in America.

That is why I am wryly amused, Mr. President, by the economic reactionaries who talk about a laissez faire economy and the unfettered operation of the law of supply and demand. They are economic illiterates. They need to go back to economic kindergarten and look at a few facts. We cannot solve these problems by Republican slogans. We must solve them by coming to grips with the kind of economic data which the Senator from Illinois has just referred to in his very helpful remarks.

Mr. President, I yield to the Senator from Rhode Island.

Mr. PASTORE. Is it not a fact that apart from the question of increase of population, our technical progress is such that less man-hours are required for the same operation as time goes on?

Mr. MORSE. That is correct.

Mr. PASTORE. And that gap has to be filled in.

Mr. MORSE. The Senator is correct. There is another facet to that subject which I wish to mention. We have the problem brought about by technological developments, resulting in the use of more and more labor-saving devices, which I am all for, but I wish to point out that in our economy we still have the human element to take into consideration.

It was not so many years ago when great liberals stood on the floor of the Senate, such as the then senior Senator from Wisconsin, Senator La Follette, and the great Senator from Nebraska, Senator Norris, and pleaded for a 10-hour day, and then for an 8-hour day. They were castigated as being great radicals and dangerous Socialists. Now everyone admits they were correct.

At the present time a similar problem is developing, and we are soon going to be far beyond the time when it is safe for the economy to have, by law, an 8-hour day requirement. We shall have to lower it and increase the wages for less work in order to keep healthy the economy of the Nation. I happen to be one, Mr. President, who contends that within the lifetime of every Member of the Senate who is 55 years of age or under we shall see the necessity for a 6-hour standard working day in the Nation if we are going to keep our economy healthy.

Mr. LANGER. Mr. President, will the Senator from Oregon yield?

Mr. MORSE. I yield.

Mr. LANGER. The distinguished Senator mentioned the name of Robert La Follette, and some of the names he was called. I wonder if the Senator remembers that when Senator La Follette made a major speech in the East in his campaign, the eastern newspapers called him an anarchist.

Mr. MORSE. They not only called him an anarchist—that was almost a polite word—but they had a tendency to use some adjectives in front of the word "anarchist."

The Senator from North Dakota having interrupted me—and I always appreciate his interruptions—I should like to say that I know of no man in politics, probably in the past 50 years, who has been called so many unpleasant names as has the Senator from North Dakota, because he has stood for the major thesis for which I have been arguing on the floor of the Senate; namely, that we apply the moral law to legislation, that we translate into legislation the moral law, and that we seek to pass legislation which will better the lot of the mass of the American people so that our economy can survive.

I wish to pay my respects to the Senator from North Dakota for the great liberal course of action that has characterized his whole record in the field of economic legislation in the United States.

Mr. LANGER. I thank the distinguished Senator from Oregon.

Mr. MORSE. Mr. President, I said I intended to say something else about the population problem and its relationship to the field of foreign policy. For purposes of emphasis, let me put it this way: If you were to ask me, Mr. President, to name the one fact, the one phenomenon, I thought would exercise the greatest influence on American foreign policy for the next 100 to 300 years, I would say it would be the growth of world population. We can talk about foreign policy to our heart's content, but the immutable law which will determine more than any other one thing the course of American foreign policy will be the trend of world population. Let us take a look at it.

In 1750 there were 660 million human beings on the face of the earth.

In 1850, approximately 100 years ago, there were 1,200,000,000 persons.

In 1950, just yesterday, figuratively speaking, there were 2,100,000,000 persons.

Where was the increase? It was not in the countries of western civilization, Mr. President, in any such proportion as in the so-called backward areas of the world, in areas where the problem of longevity raised by the Senator from Illinois a few minutes ago has a very interesting application in another respect. Do not forget, Mr. President, that today in the backward areas of the world the average life span of the teeming millions of persons is from 36 to 38 years, as compared with our 60 years. That life span is going to increase as their conditions improve from decade to decade. Population experts tell us that conditions are going to improve until eventually other peoples will reach our span of longevity, which today is averaging 60 years. So we are going to get two types of population increase in the world, as the Senator from Illinois pointed out, from the standpoint of the number of employables. We are going to get an increase in population through the increase of the average longevity of the individuals living in the so-called backward areas, and we are going to get a tremendous increase in individuals numerically.

Some of us in the Senate remember that not so long ago in one of our seminars for the liberals, as we call them, one of the every-other-Monday-night seminars, where a group of liberal Senators meet together and try to learn something about their legislative responsibilities in the Senate in relation to specific legislation, we received a briefing on Asiatic problems. A point was made by the expert who was briefing us which some of us challenged. He said he expected to be challenged on it. He said he himself did not believe it when he first heard the statement, but that if we would look into the matter we would find that it was true.

I have discussed it with enough experts so that I am satisfied that it is substantially true. We have already done such a remarkable job in Formosa by way of American aid in improving the health and sanitary conditions on that island and bettering the area generally, that if a healthy young couple in Formosa should marry today at the age they usually marry in Formosa, which is from 16 to 18 years of age, and if the couple lived until they were 80 years of age and had a normal birth rate, between themselves and among their descendants, by the time they reached the age of 80 years, they would have 1,000 descendants.

Mr. President, world population statistics are so full of implications as to the course of action which foreign policy is bound to follow in the decades ahead that I think we should stop and ponder it, when we consider the foreign policy which is pursued by the Congress of the United States. We had better ask ourselves the simple question, What kind of heritage are we going to leave to American boys and girls 300 years from now, if we do not follow a course of action which will result in the great increases in numbers of people in the backward areas, living on the freedom side of the Iron Curtain? What kind of heritage of freedom, Mr. President, shall we be leaving to American boys and girls if, during the course of 300 short years—and that is no time at all, in terms of historic time—we do not follow a foreign policy course of action which will result in those masses supporting the cause of freedom? If there is to be that result, we had better translate the moral laws and principles, about which I have been speaking this afternoon, into economic formulas. We had better recognize the direct connection between freedom and economics. We had better recognize, I repeat, the direct relationship between moral principles and economics as applied to foreign relations. We had better recognize that there is not a single thing which the United States could do, if she tried to do it, to prevent those teeming masses from bettering their way of life. They are going to do it with or without our assistance. All we could possibly do would be to slow it up. There are some things which are inevitable; and, in my judgment, one of the inevitabilities is the gradual evolution of economic standards in the backward areas of the world, on the part of the teeming millions, already so far in excess of our numbers that we had better consider whether or not we are going to leave a heritage that will permit the white boys and girls in the world, in the so-called western civilization, to have an opportunity to live in a world of freedom.

Oh, I know the common reaction of most people, because I have heard this subject discussed in many places. It is, "Well, I am concerned about the present. If we take care of the present, we will leave the responsibility to future generations to take care of their present."

There is neither statesmanship nor morality in that point of view, Mr. President. What an unfortunate plight the United States would be in today if that point of view had been taken by our constitutional fathers. They were interested in the kind of political heritage they were leaving to us. I happen to be one who believes that we have a tremendous responsibility in our lifetime to be of maximum service to the American boys and girls who are going to walk this earth 300 years from now, which, as I say, is really but a second in the life of civilization.

But how the reactionaries can face these problems, both domestic and foreign, without coming to grips with the kind of facts I have just brought out in the debate, is beyond my comprehension, because these facts really are the warp and the woof of the pattern of civilization which we shall weave for future generations of American boys and girls. It is extremely important that in our service in the Senate we keep the faith by translating these moral purposes into humanitarian legislation.

I have dwelt on the subject because, in my judgment, the Senator from Massachusetts [Mr. KENNEDY] is making a great contribution by offering to the pending unemployment-insurance legislation, his amendment, which I think amounts to naught but putting into legislative practice the moral principles which we all agree to when we discuss them in generalities. But the test of our statesmanship is whether or not we are willing to agree to them by practicing them through our votes in the Senate on amendments of the type proposed by the Senator from Massachusetts.

As I was saying, whatever the explanation of this administration may be for its unwise course of action to date, the fact is that the present administration believes a standstill is good enough, or at least good enough over quite a space of time.

I am fighting this afternoon for this kind of legislation, not alone on moral grounds, but also because it can be supported by the simple arithmetic of our industrial way of life. I had pointed out that the number of persons in need of useful occupation has increased every year in the recent past by 700,000 a year, and that soon it will reach 800,000, according to the Census Bureau. This increase in the work force of our Nation is caused by the arrival of young people at the age of maturity. This is not a stream that can be turned off and on to conform to the conditions of our economy or the policies of the party in power. The process of growing up is involuntary, and youth, somehow, is very insistent about it. We may deny these young people a chance to get their start in life at the time they are ready for it, but when we do we deny ourselves the greater wealth which these newcomers want to help us create, and we warp and misshape the lives of these young people in their most critical years. I hold therefore, Mr. President, that if we can manage our economic affairs so as ever to keep on the upgrade, always ready with job opportunities for the increasing number who want work, then in the name of commonsense and out of regard for our fellow men, this is what we should do. We should vote for the Kennedy amendment. I am not saying that it will always be easy to keep ourselves on a steadily rising course, but I do say that those who content themselves with merely holding to a level course, and those who find all manner of reasons for proclaiming that a downward course is the road to a sound economic system, have missed the whole meaning of America and stand in contempt of the genius of the American people.

To provide these job opportunities for an increasing labor force, we shall have to expand our output of goods and services at an even greater rate than the labor force expands. The acquisitive and inventive qualities of our managers and engineers is forever finding easier and better ways of doing things, as the Senator from Rhode Island [Mr. PASTORE] and the Senator from Illinois [Mr. DOUGLAS] have just pointed out. A 3-percent annual increase in output per manhour of employment is now quite unusual. It has been as high as 6 percent in some years. There is no doubt whatever that productivity will rise more rapidly in the future than it has in the past, perhaps at a rate that we would now deem fanciful. As the productivity of labor increases year by year, we must provide jobs for those whom the improved technology displaces by increasing our total output

at a more rapid rate than our labor force is growing.

All this is elementary and self-evident. I am surprised that the reactionaries so customarily overlook it. But it is sometimes forgotten by those very people and on precisely those occasions when it would do most to throw light upon the matters under consideration. Let me return, for my example, to Dr. Burns at his press conference of June 8. Toward the close of that session he was explaining to the newsmen that the gross national product, the total output of goods and services of this country, had fallen by 3.7 percent since the second quarter of 1953.

He was then asked, "Is that small or large?"

Dr. Burns' answer was, "I cannot answer that question; I do not know."

I am sure he did not mean this to be taken as a genuine response to the question. Dr. Burns knew very well that this 3.7-percent decline in the total economy was accompanied by a 29-percent drop in steel production, a 9-percent drop in car and truck output, a 10-percent drop in textiles, and, for that matter, a drop of 11 percent in industrial production as a whole. And these are no small matters, even for those who expect our economy to do no more than to hold its own.

But Dr. Burns is not one of these. He knows that we must expand in order to prosper. How easy it would have been for him to have replied, "This drop of only 3.7 percent in gross national product resulted in a loss of goods and services in the amount of $13½ billion, annual rate. Furthermore, during the year when this reduction took place we could have been expanding our output by an approximately equal amount, had we maintained full employment. So the real loss we have suffered over the past year is in the neighborhood of $25 billion to $30 billion of annual ouput." This would have been a realistic answer, in accordance with the economic facts.

But the Republican top policymakers seem not to know these things, and it grieves me that Dr. Burns, who knows them so well, does not instruct them.

LACK OF ADMINISTRATION INITIATIVE AND ENTERPRISE

How are they able to ignore the vast potential wealth that we are throwing away by letting things drift month after month, not even maintaining the levels that were reached more than a year ago? This question was also in Dr. Slichter's mind when he charged the administration with surprising lack of initiative and enterprise in fighting the recession. "I do not know the answer," he said, "but I suspect that it is attributable to the influence of the Treasury, which seems to be more interested in keeping the cash budget in balance than in limiting the drop in production and employment." I might add here that the Treasury's interest in budget balancing was at low ebb when the tax benefits to large corporations and stockholders were being drafted and enacted by the Congress.

To these men, the budget deficit which we shall have this year is of far greater moment than the current economic deficit of $25 billion to $30 billion. The former is a dollar deficit on the books of account; the latter is a human deficit—a throwing away of work that wants to be performed, but will not be; a loss of the good things of life that will be neither produced nor enjoyed by our people. A budget deficit can be wiped out by a surplus, but a human deficit will never be reversed. What we might have produced today, but did not, we shall never produce; that lost portion of our national wealth is gone forever.

These cashbox men, who value account books above human well-being, defeat their own purpose. It is easily demonstrable, I believe, that the right steps taken in time by the Government, and with sufficient vigor, to get us back to full employment, would contribute far more revenue to the Treasury than it would cost to get the job done. If they would attend more seriously to the human aspects of the problem, they might find, to their surprise, that the budget situation would be greatly improved.

But this curious concentration on cash is not, I think, the only explanation for the official policy of letting nature, however well-intentioned, take its course in the Eisenhower recession. I think there is this further important factor: That the makers of this policy belong to, and favor, the few who sit at the top of the economic heap, and have convinced themselves that what serves the interests of the few, will somehow prove best for the many, in the long run.

So long as profits and dividends are plentiful, this recession, in their view, is not too serious. Money can be made for the few out of the present low level of performance. This is being demonstrated to us right now, as it was demonstrated in the depths of the great depression. In fact, in the depths of the great depression, stock dividends were maintained at a remarkably high level. But the $25 billion to $30 billion of wealth we are throwing away comes, for the most part, out of jobless workers, out of small-business men and farmers who are being deprived of opportunities they could share in if that extra margin of wealth were being produced.

This concern for the few, and the unconcern for the many, that goes with it, will long be remembered as characteristic of the last Republican administration, whose policies delivered both the few and the many into disaster, 25 years ago. Now, again, we see the same bias shaping national economic policy. Whether it will go the whole way again, only time will tell. But one thing can be said with certainty: The longer the needs of the many are disregarded and neglected, the more sure it becomes that the few will be drawn down, also.

To illustrate how that may come about, let me refer to an article in the May issue of Fortune magazine, dealing with the prospect for unemployment in 1955 if the curve of production does no better than halt its decline and hold to a level course. In that case, says this magazine, the 900,000 added workers who will enter the labor market this year and the 1,500,000 workers who will be displaced by rising productivity will join the ranks of the jobless and will bring unemployment to a total of nearly 6 million workers by early in 1955.

This prospect is based on a 3-percent annual increase in labor productivity, which is the postwar average. But, says Fortune magazine, productivity may spurt, as it did from 1948 to 1950, and may rise at a rate of 6 percent, this year. In that event, another 1,500,000 workers would be displaced, and we would enter 1955 with 7½ million workers unemployed.

Mr. President, I am not forecasting that this will happen. I am reciting only a calculation of what is possible; and the calculation was made, not by me, but by Fortune magazine.

I raise this possibility, however, in order to point out that the present policy of letting our national economy take its course must, in the end, and will, in the end, defeat itself, unless by good luck some unforeseen and unpredictable forces come out from their present hiding place and save the day for us. Profits and dividends appear to be holding up well with 3,300,000 unemployed at the present time, according to the administration's statistics. Profits and dividends may survive even a further increase in the ranks of those who have no place to go. But to those who can enjoy their wealth at this cost, I speak a warning that they dare not play their luck too far. I doubt that the unemployment of 6 million, which Fortune magazine says may be coming our way, will leave even the strongest corporations unscathed; and I am convinced that the 7½ million of unemployed, which Fortune magazine says is possible, would topple those at the top, just as surely as it scourges those at the bottom.

THE OBLIGATIONS OF THE FEDERAL GOVERNMENT

Government has an obligation to avert such a catastrophe of human suffering. Government has an obligation to avert such a blow to the national economy that could cripple our resistance to international communism.

The decision appears to have been made, I most sincerely regret to say, to take a gamble on good luck and mismanagement to carry us up and out of the mess we are in. Meanwhile, it is no game for those who cannot find work, or for those who work with the specter of the layoff haunting their workbench. So I say to those who have made this choice, if you will not be moved by the hardship of those whom your policy has discarded, then be moved at least by the danger you run in cutting the ground from under your own well shod and prosperous feet. Give over, at long last, the attempt to govern by incantation. Assume the responsibilities of government, and take the steps that are clearly indicated to get the whole people buying again, working again, and producing again, so that by their own labors they can put our economy back on the road to full employment and prosperity, where your Republican administration found it in January of 1953.

Mr. President, in closing, I say the Senate now has an opportunity to support the amendment of the Senator from Massachusetts [Mr. KENNEDY], which in my judgment simply will implement and seek to put into practice the moral and economic principles I discussed earlier

in the course of my speech this afternoon. The amendment will give the Senate an opportunity to translate into legislation the very sound Biblcal teaching, which is also sound economics, namely, that we truly are our brother's keeper.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, its reading clerk, announced that the House had passed, without amendment, the bill (S. 3480) to amend section 24 of the Federal Reserve Act, as amended.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H. R. 7664) to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license issued pursuant to the Federal Power Act.

EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT OF 1954

The Senate resumed the consideration of the bill (H. R. 5173) to provide that the excess of collections from the Federal unemployment tax over unemployment compensation administrative expenses shall be used to establish and maintain a $200 million reserve in the Federal unemployment account which will be available for advances to the States, to provide that the remainder of such excess shall be returned to the States, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the amendment submitted by the Senator from Massachusetts [Mr. KENNEDY], on behalf of himself and other Senators.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. KENNEDY].

Mr. KENNEDY. On the amendment which the Senate is now considering, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. KENNEDY. Mr. President, I shall not detain the Senate very long in discussing the pending amendment. I am very appreciative of the remarks of the Senator from Oregon [Mr. MORSE], who I think illuminated this entire area.

I should like to emphasize three points with respect to this amendment.

First. I remind the Senate that this is not a partisan issue. We merely seek to put into effect recommendations which President Eisenhower made on January 28, that dollar maximums on unemployment compensation benefits be raised "so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings."

This recommendation was reiterated by Secretary of Labor Mitchell and Assistant Secretary of Labor Siciliano on February 16, when they wrote that the Tripartite Federal Advisory Council on Employment Security supported the President's recommendations and recommended that in order to permit the great majority of workers to obtain benefits equal to at least half of their regular earnings, "the maximum weekly benefit amount should be equal to at least 60 to 67 percent of the State's average weekly wage, in line with the President's Economic Report." The 20th National Conference on State Labor Legislation, with governors' delegates from State labor departments and organized labor in 41 States unanimously adopted a resolution supporting President Eisenhower's recommendations for maximum benefit amounts not less than two-thirds of the average weekly wage in covered employment. What is even more important, they unanimously urged their adoption by Congress as amendments to the social-security law.

On January 28, the President further recommended that—

> The potential duration of unemployment benefits (be raised) to 26 weeks. * * * A 6-month period would not prevent exhaustion of benefits in a severe slump; but in a minor downturn it should be adequate for a great majority of the claimants. During the 1949 depression, almost 2 million persons exhausted their rights, most of them in less than 4½ months.

The February 16 letters from the Department of Labor urged "26 weeks of benefits uniformly to all eligible claimants in order to assure that even in a minor business downturn most workers would remain protected by the program until they could find other jobs. The effectiveness of the program in relieving unemployment distress and as a counter-recessionary device will be greatly strengthened." The unanimous resolution of the Conference of Governors' Delegates on Labor Legislation also urged this standard by congressional action. The President's recommendations concerning both benefits and duration were unanimously commended by the Joint Congressional Committee on the Economic Report.

It seems to me, therefore, that with respect to amount and duration, we really seek to write into the Social Security Act the recommendations which the President suggested last January and February—recommendations which have not yet been acted upon by the 19 State legislatures which have met since the President's recommendations were made.

Second. I wish to remind the Senate that this is not a radical departure from our present unemployment compensation law. Each State would still administer its own law, and determine eligibility benefits in the same way it has always done. The range of benefits above this basic nationwide minimum would still be established by State law. This amendment simply continues the principle adopted by the authors of the original Social Security Act of imposing only those minimum standards which are necessary to prevent injury to any State as the result of its more progressive program, and to assure basic uniformity of action against a nationwide problem governed by nationwide economic forces. Such an amendment was anticipated by the Committee on Economic Security in 1935, when they stated that the plan would "require numerous changes with experience. Congress can at any time increase the requirements which State laws must fulfill." Experience clearly indicates that only by congressional action will benefit and duration standards be restored to the levels recommended by the authors of the original act and adopted by all States at that time. This amendment, in keeping with those basic principles, will not federalize the system. The system will be federalized only when it breaks down as the result of inadequate protection and interstate warfare.

Third. I wish to remind the Senate that the cost of this amendment can easily be borne by our unemployment-compensation systems as they are presently financed, with few, if any, exceptions. The Eisenhower standards, which are also the standards of the 1930's, are not so burdensome as to impair the solvency of any State fund or impose a heavy tax burden on any employer. On the average, present costs under this amendment would increase by no more than 40 percent, an increase which would make only an insignificant dent in idle State reserves, which are from 6 to 26 times as high as the amount of benefits paid out in an average year. Nor would it affect the average contribution rate, which is now 1.3 percent, well below the normal rate of 2.7 percent anticipated in 1935. Surely the costs of public assistance and relief, of decreased purchasing power and productivity, and of inadequate living standards for families of unemployed workers are far more expensive to the Nation.

Finally, I wish to remind the Senate that this amendment makes no changes and detracts in no way from the existing provisions of H. R. 5173; but that nothing in that bill would assist unemployed workers or strengthen our Federal-State unemployment insurance system. Nothing in the bill would aid the 40,000 workers a week who today are exhausting their rights under inadequate duration of benefit payments. Nothing in that bill would further President Eisenhower's recommendations of higher average weekly unemployment benefits, which today are less than 33 percent of average weekly wages, thus reducing the worker's ability to pay his bills and buy his groceries to a level millions of dollars below that prevailing in 1938. Nothing in that bill would help the unemployed worker pay his family's rent, medical bills, and food bills, which are just as high as when he is working. This amendment, not to be confused with the earlier substitute amendment, simply seeks to add to H. R. 5173 a recognition of these needs. Other provisions of the bill are not affected. The only issue presented to the Senate by this amendment is whether it favors better unemployment compensation benefits.

Therefore, it seems to me that this amendment is in line with the Presi-

dent's recommendations. I believe it should have bipartisan support.

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

Mr. KENNEDY. I yield.

Mr. SYMINGTON. As I understand from reading the Senator's typically fine address yesterday, and also listening to his remarks today, the intent of his amendment is really to carry out the principles of the 1935 law. Is that correct?

Mr. KENNEDY. That is correct. It was assumed at that time that benefits would be 50 percent of the average weekly wage. As a matter of fact, benefits were much higher from 1935 to 1939 or 1940, but since then wages have gone up and benefits have not increased proportionately.

Mr. SYMINGTON. I understand also that the amendment offered by the distinguished Senator from Massachusetts requests those standards also now requested by President Eisenhower and his Secretary of Labor. Is that correct?

Mr. KENNEDY. That is correct.

Mr. SYMINGTON. In my State there are towns which we call dead towns, towns which unfortunately have lost industry, sometimes permanently, sometimes temporarily.

The good people of these towns must shift for themselves until they get additional work to do. A mine may run out, or a defense order taken away, and so forth.

There are several such towns in Missouri. Would not the Senator agree that 26 weeks of unemployment-insurance benefits, as against the lower standards in some States, would be of great help to the people of those towns all over the Nation?

Mr. KENNEDY. I should certainly say so. As I pointed out in my remarks, 40,000 workers a week are exhausting their benefits. The number was even more substantial during the recession in 1948 and 1949.

The distress which occurs to people whose benefits are exhausted is a most unsatisfactory thing from a personal point of view, and obviously is against the public interest. They are compelled to sell their war bonds. They go on relief. They depend upon other members of their family. It is a most unsatisfactory situation when some States, by offering minimum benefits, can use that fact as an attraction to industry to come to those States, while States which try to do a fair job are penalized.

That is the reason why the offset was provided in 1935. It was felt that no State could afford to put into effect an adequate unemployment-compensation system if it were to be subjected to pressures from States which did not have to bear such a tax burden.

The whole idea was that there would be a degree of uniformity. Therefore I believe what we are talking about is in complete keeping with the public interest and with President Eisenhower's recommendation.

Mr. SYMINGTON. Mr. President, I have read and listened to the remarks of the distinguished Senator from Massachusetts as well as the fine remarks made by the distinguished Senator from Oregon [Mr. MORSE], the distinguished Senator from Illinois, and the distinguished Senator from Rhode Island. As a businessman, I believe the suggested amendment is practical and wise. I intend to vote for it because I believe it would be of help to the future of our economy.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the junior Senator from Massachusetts [Mr. KENNEDY] on behalf of himself and other Senators.

Mr. MILLIKIN. Mr. President, H. R. 5173 would strengthen the Federal-State employment security program by providing that all taxes collected under the Federal Unemployment Tax Act shall be used exclusively for employment security purposes.

Under present law the proceeds of the three-tenths of 1 percent tax retained by the Federal Government go into the general fund of the Treasury. The hearings and committee reports at the time the Federal unemployment tax was adopted in 1935 clearly indicate that this revenue was intended to finance the administrative costs of the program. Under present practice, however, the Congress appropriates funds for grants to the States to cover the administrative expenses of the program on the basis of estimated administrative needs in the various States and not on the basis of collections of the Federal unemployment tax.

The income from this tax that has been paid into the general fund greatly exceeds the costs of financing the Federal and State administrative functions relating to employment security. Collections since the program was initiated have yielded, depending upon the method of calculation, $700 million to $1 billion in excess of the funds that have been disbursed to meet Federal-State administrative costs.

The committee is of the opinion that this Federal profit is unjustified. The bill would put a stop to the present practice of using the proceeds of a tax levied on payrolls to meet general expenses of the Government.

Under the bill the excess in tax collections over the administrative expenditures would be used to meet two basic needs of the employment security program:

First. Protection of State trust accounts against the contingency of insolvency, and

Second. Greater flexibility in State administrative operations.

Yesterday I outlined to the Senate the principal provisions of H. R. 5173 which are designed to achieve these objectives.

The amendment to H. R. 5173 offered by the junior Senator from Massachusetts would impose Federal standards on the States as to the amount and the duration of benefits so that:

First. The maximum primary benefit payable under State laws shall be not less than two-thirds of the State's average weekly wage. Subject to this maximum, each individual's primary benefit shall be not less than 50 percent of his weekly wage, and

Second. Benefits shall be payable to all unemployed insured individuals in all States for a period of not less than 26 weeks.

The amendment offered by the Senator from Massachusetts would alter the existing division of responsibility between the Federal and State Governments. Under this amendment the Federal Government would be cast in a new role—one of compelling the States to provide benefits at a prescribed level and for a definite period of time.

Historically, unemployment insurance has been primarily a State program. Although I believe the problem of unemployment should always be one of national concern, I also believe the geographic variations in economic conditions and in employment practices make it essential that we retain the principle of having the actual implementation of an unemployment-insurance system carried out by State action.

Thus far the Congress has left to the States the determination of the amount of benefits and the duration for which benefits should be paid. As recently as last Thursday, the question of whether the Federal Government should impose standards on the States as proposed in the amendment offered by the junior Senator from Massachusetts, was before the House of Representatives when it was considering another unemployment insurance bill; that is, H. R. 9709. On a motion to recommit the bill to the Committee on Ways and Means with instructions to report it with amendments imposing Federal standards on States as to the amounts and duration of benefits the motion was defeated by a vote of 241 to 110.

This was the answer given by the House of Representatives to those seeking to deny to the respective States the right to determine what is the proper benefit level and how long a period of time benefit payments should be made to the unemployed in the State.

I think the House of Representatives acted wisely in defeating the proposal that is now before us. The level and duration of unemployment benefits should be left to the respective State legislatures. To infringe on these rights that historically have been vested in the States would be the opening wedge toward the elimination of State responsibility for unemployment insurance.

Under the amendment Federal standards would be imposed on the States for benefit levels and duration. If these Federal standards are enacted into law, many of the States would be required to increase the unemployment-insurance tax levied on employers. If the Federal Government assumes the role of compelling States to levy taxes to meet benefit disbursements resulting from Federal standards we shall be inviting the shift of the responsibility for financing unemployment insurance from the States to the Federal Government. In my opinion, if the Federal Government tells the States how much must be paid in benefit payments then it is logical to have the Federal Government assume the responsibility for financing the cost of such payments. I fear that if the amendment is adopted we would begin moving in the direction of more Federal responsibility and control, with the final

result being the establishment of a Federal unemployment-insurance system.

I urge that the amendment be rejected. In leaving to the States the right to establish the amount and duration of benefits we would be following the recommendations of President Eisenhower as set forth in the Economic Report of the President of January 1954. The President with respect to benefits stated:

> It is suggested that the States raise these dollar maximums so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings.

As to the duration of benefits he said:

> It is urged * * * that all of the States raise the potential duration of unemployment benefits to 26 weeks.

In conclusion, may I say that we should give the States an opportunity to implement the President's recommendations which he made last January. Many of the legislatures have not been in session this year. I am hopeful that in 1955 the State legislatures that have not acted to strengthen and improve their unemployment-insurance system this year will give careful consideration to the President's recommendations.

Mr. KENNEDY. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. I yield.

Mr. KENNEDY. Is it not a fact that the recommendations as to duration and the amount of benefits are those which the President recommended the States adopt and are the ones contained in my amendment?

Mr. MILLIKIN. It is a fact that the States will adopt standards similar to those which I understand the Senator is proposing, but the President did not recommend that the Federal Government do it.

Mr. KENNEDY. But the standards, so far as duration and amount are concerned, are those which the President recommended the States apply. Is not that correct?

Mr. MILLIKIN. I understand that on those two points the Senator is correct, but I again emphasize that the big question is whether the Government should do it or whether the States should do it.

Mr. FERGUSON. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. Let me finish, first, please, with the questions of the Senator from Massachusetts.

Mr. KENNEDY. If the Senator agrees that the duration and the amount are those which the President recommended, is it not also a fact that 19 State legislatures have met since the President made his recommendations and that none of them has taken action to implement the President's recommendations?

Mr. MILLIKIN. I am not prepared to answer that question. I do not know the facts.

Mr. KENNEDY. Is it not a fact that a substantial number——

Mr. MILLIKIN. There are many States which have not met that standard, but I am assuming that those in the States who have an interest in the question, both employers and employees, are as active and diligent as we are. I do not want to hurt anyone's feelings, but I believe the States are thoroughly qualified to handle the situation in each State according to its own situation. It would be a mistake to put the matter into a straitjacket from a Federal standpoint.

Mr. KENNEDY. The reason why the system was adopted in 1935 and the reason why we have this offset tax for the States was the feeling that no State, if it had to do it by itself, would ever put into effect an unemployment compensation system. That is the reason why an unemployment compensation system was established on a Federal basis at the beginning.

Mr. MILLIKIN. One of the reasons for doing it in that way in the beginning was to make a constiutional tax which the Federal Government could levy, and thus make out of it a Federal-State relationship. But that, I suggest, has no pertinency to the question of whether we should take the power from the States and give it to the Federal Government. I am not one who believes that all the wisdom in the world is in the Federal Congress. I have a great deal of respect for the State legislatures.

Mr. KENNEDY. There was mention of the fact that a State could put in a system and compete with a State which did not have a system.

Mr. MILLIKIN. The purpose was to have a State-Federal system operating in a way that would make a constitutional tax.

Mr. KENNEDY. And it would be uniform to the extent that every State would be obliged to have a system.

Mr. MILLIKIN. Every State has one.

Mr. KENNEDY. The point I am trying to make is that as of the present time no State can afford to move its benefits up to the point recommended by the President unless every State does so, because manufacturers in a certain State would then be at a disadvantage in attempting to compete with employers who maintained a low standard.

Mr. MILLIKIN. I do not think it is as broad as the Senator suggests. If we will look at the situation in the States we shall find great variations.

Mr. KENNEDY. That is the point.

Mr. MILLIKIN. The States do vary. They are different. They have different economies. The State government finances are different. They are different in the nature of the work that goes on. If we were writing this bill again we would probably leave it to the States as we did before. We would not get as rapid results in that way as we might like, but we would get results more acceptable to the people and they would sustain the system longer. I do not think the people want the Federal Government to be centralizing this particular activity, so that we, in our wisdom, may say the standard shall be 22, or 34, or whatever the duration should be. I do not think we can fix a correct standard for every State in the Union. That is the reason why we leave a great part of the problem to the States, as I can assure the Senator.

Mr. KENNEDY. I am pointing out that the recommendations which we are attempting to put into effect were made by President Eisenhower. He did not say in his message to the Congress that because every State had a different economy, therefore the duration should be different. He said each State should adopt its minimum standards.

Mr. MILLIKIN. As I read it, I did not read any qualifications, but I can see that the President was trying to get the States to improve their standards. There has been improvement.

Mr. KENNEDY. He did not say "as best they can." He suggested 26 weeks or one-half the average pay.

Mr. MILLIKIN. Will the Senator permit me to suggest of my own mind the statement that the President and his advisers are wise on State-Federal relationships, and since he asked the States to do something, I think it must be accepted that he asked them to do it subject to their conditions. I do not think he was against a Federal standard, but he did not say he was asking us to impose it.

Mr. KENNEDY. Nineteen States have had an opportunity to take advantage of the President's recommendations, and they have not done so. The direct question is, Is it in the public interest that the United States Congress should insist that the States adopt minimum standards for unemployment compensation as they have with reference to minimum wages, public assistance, and so forth?

Mr. MILLIKIN. I do not think it was in the interest of the United States or of the States to do that, and I suggest that the analogy does not hold up.

Mr. FERGUSON. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. I yield.

Mr. FERGUSON. The State of Michigan has complied with the suggestion of the President as to the time and as to the amount.

Mr. KENNEDY. I would except the State of Michigan as a State which has taken action, but not up to the President's standards.

Mr. MILLIKIN. I do not think we should attribute to ourselves as much wisdom as our egos might suggest to us. I do not think we can establish standards for every State.

Mr. KENNEDY. The only point I should like to make is that there are tremendous difficulties facing any State attempting to improve its standards of benefits or duration, because it means that the employers within the State have to bear a heavier load. Therefore, if we permit each State to set its figure, there would be a premium on the State which keeps its tax the lowest and keeps its benefits and duration the lowest. Therefore, the best way to accomplish the President's recommendations is to insist that the Federal Government shall see that the standards are met. Otherwise, there would be a competitive advantage to keeping the standards lower.

Mr. MILLIKIN. I assume that with the different changes which have been made in the various States, the competitive factor has been presented. I thoroughly agree that in the final decision it is better to leave it to the States operating in their ways of life than to leave it with this body, although I have great respect for the Congress of the United States.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. KENNEDY], for himself and other Senators. On this question the yeas and nays have been ordered.

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

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gillette	McCarran
Anderson	Goldwater	Millikin
Barrett	Gore	Monroney
Beall	Green	Morse
Bennett	Hayden	Mundt
Bowring	Hendrickson	Murray
Bricker	Hennings	Neely
Bridges	Hickenlooper	Pastore
Burke	Hill	Payne
Bush	Humphrey	Purtell
Butler	Ives	Reynolds
Byrd	Jackson	Robertson
Capehart	Jenner	Russell
Carlson	Johnson, Colo.	Saltonstall
Case	Johnson, Tex.	Schoeppel
Chavez	Johnston, S. C.	Smathers
Clements	Kefauver	Smith, Maine
Cooper	Kennedy	Smith, N. J.
Cordon	Kilgore	Sparkman
Crippa	Knowland	Stennis
Douglas	Kuchel	Symington
Duff	Langer	Thye
Dworshak	Lehman	Upton
Ervin	Lennon	Watkins
Ferguson	Long	Welker
Flanders	Magnuson	Wiley
Frear	Malone	Williams
Fulbright	Mansfield	Young
George	Martin	

The PRESIDING OFFICER. A quorum is present.

The question is on agreeing to the amendment in the nature of a substitute, offered by the Senator from Massachusetts [Mr. KENNEDY] for himself and on behalf of other Senators. The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. SALTONSTALL. I announce that the junior Senator from Wisconsin [Mr. MCCARTHY] is absent on official business.

The Senator from Illinois [Mr. DIRKSEN] and the Senator from Michigan [Mr. POTTER] are necessarily absent.

If present and voting, the junior Senator from Wisconsin [Mr. MCCARTHY] would vote "nay."

Mr. CLEMENTS. I announce that the Senator from Texas [Mr. DANIEL], the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. ELLENDER], the Senator from Oklahoma [Mr. KERR], the Senator from South Carolina [Mr. MAYBANK], and the Senator from Arkansas [Mr. MCCLELLAN] are absent on official business.

The Senator from Florida [Mr. HOLLAND] is absent by leave of the Senate, attending the Sixth Pan-American Highway Congress at Caracas, Venezuela, and, if present, would vote "nay."

I announce further that on this vote, the Senator from Texas [Mr. DANIEL] is paired with the Senator from Oklahoma [Mr. KERR]. If present and voting, the Senator from Texas would vote "nay," and the Senator from Oklahoma would vote "yea."

The result was announced—yeas 30, nays 56, as follows:

YEAS—30

Aiken	Hennings	Magnuson
Anderson	Hill	Mansfield
Burke	Humphrey	Monroney
Chavez	Jackson	Morse
Douglas	Johnston, S. C.	Murray
Fulbright	Kefauver	Neely
Gillette	Kennedy	Pastore
Gore	Kilgore	Sparkman
Green	Langer	Symington
Hayden	Lehman	Young

NAYS—56

Barrett	Ferguson	Mundt
Beall	Flanders	Payne
Bennett	Frear	Purtell
Bowring	George	Reynolds
Bricker	Goldwater	Robertson
Bridges	Hendrickson	Russell
Bush	Hickenlooper	Saltonstall
Butler	Ives	Schoeppel
Byrd	Jenner	Smathers
Capehart	Johnson, Colo.	Smith, Maine
Carlson	Johnson, Tex.	Smith, N. J.
Case	Knowland	Stennis
Clements	Kuchel	Thye
Cooper	Lennon	Upton
Cordon	Long	Watkins
Crippa	Malone	Welker
Duff	Martin	Wiley
Dworshak	McCarran	Williams
Ervin	Millikin	

NOT VOTING—10

Daniel	Holland	McClellan
Dirksen	Kerr	Potter
Eastland	Maybank	
Ellender	McCarthy	

So the amendment offered by Mr. KENNEDY for himself and other Senators was rejected.

Mr. MILLIKIN. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. KNOWLAND. Mr. President, I move to lay on the table the motion of the Senator from Colorado.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California to lay on the table the motion of the Senator from Colorado.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. PASTORE. Mr. President, I call up my amendment, designated 7-7-54-A.

The PRESIDING OFFICER. The clerk will state the amendment.

Mr. PASTORE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with, and I shall explain the amendment.

The PRESIDING OFFICER. Without objection, the amendment will not be read, but will be printed in the RECORD at this point.

The amendments offered by Mr. PASTORE (for himself, Mr. GREEN, Mr. MURRAY, Mr. NEELY, Mr. KILGORE, Mr. HUMPHREY, Mr. KENNEDY, Mr. LEHMAN, and Mr. MORSE) are as follows:

On page 8, line 4, it is proposed to strike out "1202" and insert "1201."

On page 11, beginning with the word "Any" in line 7, it is proposed to strike out down through line 23 on page 12 and insert in lieu thereof the following:

"Any amount transferred to the account of any State under this section shall be treated as an advance, without interest, to the unemployment fund of such State and shall be repaid to the Federal unemployment account from the unemployment fund of that State to the extent that the balance in the State's account in the Unemployment Trust Fund, at the end of any calendar quarter, exceeds a sum equal to the total contributions deposited in the Unemployment Trust Fund under the unemployment compensation law of the State during that 1 of the 2 calendar years next preceding such day in which such deposits were higher. The Secretary of the Treasury shall, after the end of each calendar quarter, transfer from the unemployment account of each State in the Unemployment Trust Fund to the Federal unemployment account the amount required to be repaid from the unemployment fund of such State at the end of such quarter under this subsection."

On page 13, beginning with line 5, it is proposed to strike out over through line 18 on page 14.

On page 16, line 3, it is proposed to strike out "1202" and insert "1201."

On page 16, line 17, it is proposed to strike out "1202" and insert "1201."

Mr. PASTORE. Mr. President, the amendments which I am proposing have to do only with the repayment features of the pending bill. The bill provides that once the money has been borrowed by a State, the State is obliged to begin repaying it to the trust fund by a year from the following January, whether or not the economic situation in the borrowing State has improved. If the borrowing State has not accumulated in the meantime a surplus sufficient to pay back the loan, then a graduated increase is imposed upon the contribution payment made by industry at the rate of 5 percent per annum.

First of all, no State should or will apply for a loan, under the bill, unless its own fund is in jeopardy of becoming insolvent. By requiring that State to pay it back so soon after the loan is negotiated at the penalty of increasing the contribution on the part of industry, we would in fact be aggravating a situation which is already bad.

If it is the intent of Congress that the money advanced to the State shall not be a grant, but shall be paid back, then I submit to the Senate the fair and proper way of doing it is under the plan which was originally conceived by the distinguished Senator from Georgia [Mr. GEORGE] and enacted into law in 1944, as a result of a study by the Special Committee on Postwar Economic Policy and Planning of the United States Senate made in that year.

The George formula, while it imposes upon the borrowing States the responsibility to repay the loan, does so in a fashion which is more in keeping with the spirit of helping those States which find themselves in distress through no fault of their own. The George formula requires that the State pay the money back when it is better able to do so.

In short, as my amendment proposes, and which is, in fact, the George formula, a borrowing State would be compelled to pay back to the extent that the balance in the State's account in the unemployment trust fund at the end of any calendar quarter exceeds a sum equal to the total contributions deposited in the unemployment trust fund under the unemployment compensation law of the State during that one of the 2 calendar years next preceding such day in which such deposits were higher.

In order to make the amendment clear, Mr. President, let me say that it would avoid requiring a State to raise its tax

or imposition upon industry over and above 2.7 percent. In the case of most States, when reserves exceed 2.7 percent of the highest payroll in the last 2 years, the State would begin to pay back.

I should like to emphasize that this idea was originally adopted by Congress in 1944, and was known as sections 401 and 402 of Public Law 458 of the 78th Congress, 2d session. At that time an appropriation was authorized for the fiscal year 1945, and Congress saw fit to extend the provisions of the 1944 act until January 1, 1950, and then renewed the authorization for an appropriation. Again, on August 28, 1950, Congress extended the provisions of the act until January 1952, when the act finally expired.

There has never been criticism of this repayment provision. Although it is true that occasion did not arise to necessitate a State drawing on the Gorge loan fund, but the fact remains that precisely the same situation as was then contemplated prevails today, and if the law had been extended, it would be applicable.

In other words, if my amendment should be adopted, I know of no State that at this time could borrow money under the provisions of the amendment. The States would have to wait until such time as their surplus fell below the contributions collected during the previous year, which is the present provision of House bill 5173. I submit that if it is the intent of Congress to strengthen our unemployment compensation law, we should not impose upon industry in a State a requirement that when the economy of the State is in a depressed condition the State must repay its obligation within a period of 2 years; and that if it does not do so, a 5-percent penalty will be imposed on the depressed industry of the State, thereby adding insult to injury.

Mr. President, this amendment is a reasonable one. We have previously had experience with it. The idea encompassed in the amendment is not original with me, but was conceived in 1944 in the mind of the distinguished senior Senator from Georgia [Mr. GEORGE]. So I think the amendment should at least be approved by the Senate and taken to conference by the distinguished Senator from Colorado [Mr. MILLIKIN].

Mr. MILLIKIN. Mr. President, under the amendment offered by the Senator from Rhode Island [Mr. PASTORE], the provisions of House bill 5173 requiring that advances to States be repaid by a decrease in the 90 percent allowable credit rate against the 3 percent Federal employment tax would be deleted. Under the amendment, an advance to a State "shall be repaid to the Federal unemployment account from the unemployment fund of that State to the extent that the balance in the State's account in the unemployment trust fund, at the end of any calendar quarter, exceeds a sum equal to the total contributions deposited in the unemployment trust fund under the unemployment-compensation law of the State during that 1 of the 2 calendar years next preceding such day in which such deposits were higher."

It appears that under the amendment there would be no requirement that the State would ever have to levy any particular level of tax. Therefore, it would seem that the State would never have to repay the advance, under the provisions of this amendment, if the State did not increase the tax levied on its employers so as to replenish its unemployment reserve to the level required by the provision of the amendment I have just quoted. In other words, as I read the amendment, the States that were not in trouble might very easily be called upon to meet the requirements of a State that, let us say without disrespect to any State, does not make maximum efforts to carry its part of the program.

Mr. President, I think the amendment is a bad one, and should be rejected.

Mr. PASTORE. Mr. President, will the Senator from Colorado yield to me?

The PRESIDING OFFICER (Mr. BUSH in the chair). Does the Senator from Colorado yield to the Senator from Rhode Island?

Mr. MILLIKIN. Certainly.

Mr. PASTORE. Is it not a fact that the formula I have suggested, by means of my amendment, is not new to the Senate, but that the Senate has previously had such a provision before it, and has approved it? Is not my amendment, in essence—in fact, word for word, in part—the amendment which was adopted by the Senate and was reenacted several times until 1952, having originally been proposed by the Senator from Georgia [Mr. GEORGE]?

Mr. MILLIKIN. No; I do not have that impression of the amendment of the Senator from Georgia.

Mr. PASTORE. Insofar as the repayment features are concerned, my amendment is word for word the same as the law which was passed in 1944.

Mr. MILLIKIN. In my reading of the George amendment and of the amendment submitted by the Senator from Rhode Island, I find that a very important part of the George amendment is omitted.

Mr. PASTORE. Will the Senator from Colorado be so kind as to state the important part that is omitted?

Mr. MILLIKIN. I shall read to the distinguished Senator the part of the George amendment which I understand was omitted:

SEC. 1201. (a) In the event that the balance in a State's account in the unemployment trust fund on June 30, 1947, or on the last day in any ensuing calendar quarter which ends prior to January 1, 1952, does not exceed a sum equal to the total contributions deposited in the unemployment trust fund under the unemployment compensation law of the State during that 1 of the 2 calendar years next preceding such day in which such deposits were higher, the State shall be entitled, subject to the provisions of subsections (b) and (c) hereof, to have transferred from the Federal unemployment account to its account in the unemployment trust fund an amount equal to the amount by which the unemployment compensation paid out by it in the calendar quarter ending on such day exceeded 2.7 percent of the total remuneration which was paid during such quarter and was subject to the State unemployment compensation law.

Where does the amendment of the Senator from Rhode Island refer to a 2.7 percent tax?

Mr. PASTORE. My amendment is even stronger, because the committee has amended the bill, so that it will be possible to borrow without imposing the maximum rate of 2.7 percent. The committee has watered down the bill. But I submit that the substance of what the Senator from Colorado has just read is the same as the substance of my amendment. Under my amendment, in no case will a State be obliged to repay until the surplus has reached 2.7 percent.

The committee has amended the bill by watering down the imposition provision which was placed in the law in the House of Representatives. I refer to the requirement that before money could be borrowed under the provisions of House bill 5173, it would be necessary to raise the rate to its maximum extent. The committee deleted that provision of the bill. That is the only reason why there is a slight difference. But I submit that my amendment is, if different in any way, even stronger than the George amendment.

Mr. MILLIKIN. Mr. President, if the committee has watered down the bill, certainly that is no reason for watering it down again.

As I view the matter, the difference between the amendment of the distinguished Senator from Rhode Island and the bill as reported by the committee is that the bill as reported requires a repayment, whereas the amendment of the distinguished Senator from Rhode Island in essence does not.

Mr. PASTORE. Mr. President, will the Senator from Colorado yield for a question?

Mr. MILLIKIN. Yes.

Mr. PASTORE. Does not the Senator from Colorado feel that it is unreasonable to provide that a depressed State, that can borrow money only if the amount collected in the preceding year is less than the contribution made in that State, must recover within a period of 2 years, in order to pay back the obligation without having this penalty imposed?

Mr. MILLIKIN. Does the Senator from Rhode Island wish to extend it for, let us say, 3 years?

Mr. PASTORE. If the amendment should be rejected, at least that should be done—although to perhaps 4 years, not 3 years. I understand that even the administration has recommended 4 years.

But it is ridiculous for us to assume that the economy of a State will in any event—short of a war—recover within a period of 2 years. In our economy there is no magic or hocus-pocus that would result in accomplishing that feat within a period of 2 years. That is the point I have made right along in connection with the bill.

In the bill we state a very pious intention. I think we mean to do good to some of the States which need help, but by the very language of the bill we defeat our purpose, because any State which wishes to borrow this money would be better off to raise its ceiling beyond the 3-percent point from the beginning,

and not come to the Congress or to the United States Treasury at all.

Mr. MILLIKIN. I suggest that if any of the States get into a situation of the type described by the Senator, we shall have a great deal of legislating to do in the social-security field. We cannot go to heaven in a simple jump.

Mr. PASTORE. I realize that. Perhaps we cannot go there in two jumps, but the fact still remains——

Mr. MILLIKIN. Let me finish. I submitted that remark as a preliminary background remark against the effort which we often make to achieve complete, lasting perfection in a single bill.

The trouble with the Senator's amendment is that there is no real provision for repayment. If he wishes to lengthen the period to 3 years, I should be delighted to take such an amendment to conference. However, if a depressed condition in a State cannot be cured in 3 years, I should say that we would be in pretty bad condition.

I come back to the point I mentioned earlier. We shall be here again, enacting legislation to meet the situation which confronts us. If the Senator wishes to allow a period of 3 years for the purpose of repayment, let him put it in an amendment, and I shall be glad to take it to conference.

Mr. PASTORE. The provisions of the bill are not as far-reaching as the Senator implies. First of all, before a State can borrow money under the provisions of the bill, the surplus of the State must be reduced to the point of 2.7 percent of taxable payroll. There is no State in the Union today operating on a basis below 3.9 percent of taxable payroll. When a State wishes to negotiate a loan under this amendment, it is in a desperate condition. For us to say that the State must pay back the loan in 2 or 3 years, with a penalty of 5 percent, is, I fear, going too far.

Mr. MILLIKIN. If we follow the Senator's reasoning to its conclusion, we may arrive at a period of 3 years, 4 years, 5 years, 10 years, or 20 years. There is no bottom to that argument. If the Senator thinks 2 years is too short, and that 3 years is more reasonable, let us say 3 years. I will take such an amendment to conference.

Mr. PASTORE. Will the Senator accept 5 years?

Mr. MILLIKIN. I would accept 4 years.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Rhode Island [Mr. PASTORE].

Mr. PASTORE. Mr. President, I wish to modify my amendment so that wherever the word "second" is used, the word "fourth" will be substituted, so as to carry out the intent.

The PRESIDING OFFICER. The Senator has the right to modify his amendment.

Mr. MILLIKIN. I do not believe that part is in the Senator's amendment, is it?

Mr. PASTORE. No; it is not. It is an entirely different thing. The Senator's suggestion is an amendment of the present bill. My amendment is an entirely different procedure with respect to repayment.

Mr. MILLIKIN. Let me suggest that the Senator use the proposed amendment which I hand him.

Mr. PASTORE. Does it provide for a period of 4 years?

Mr. MILLIKIN. Yes.

Mr. PASTORE. If the Senator proposed, on his own initiative, to change it to 4 years, he is quite a horsetrader to try to get me to agree to 3 years. [Laughter.]

Mr. MILLIKIN. I never start the trade by giving my best figure.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment offered by the Senator from Rhode Island [Mr. PASTORE].

Mr. KUCHEL. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. Is the Chair correct in understanding that the Senator from Rhode Island has modified his amendment?

Mr. PASTORE. I modify my amendment so as to state precisely what is stated in the language handed to me by the Senator from Colorado.

Mr. MILLIKIN. Worded in the proper way so as to conform to the language of the bill.

The PRESIDING OFFICER. The modified amendment will be stated.

The LEGISLATIVE CLERK. On page 13, line 23, it is proposed to strike out "second" and insert in lieu thereof "fourth."

The PRESIDING OFFICER. The question is on agreeing to the modified amendment offered by the Senator from Rhode Island.

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

Mr. PASTORE. I yield.

Mr. KUCHEL. This is a rather technical subject. Before the debate began today I was discussing the original amendment proposed by the Senator from Rhode Island. I think it is not asking too much to request that we have a word or two of discussion on the basis of the modified amendment. I do not understand what it proposes to do.

First, may the clerk read the proposed amendment, as modified?

The PRESIDING OFFICER. The modified amendment will be stated.

The LEGISLATIVE CLERK. On page 13, line 23, it is proposed to strike out the word "second" and insert in lieu thereof the word "fourth."

The PRESIDING OFFICER. The Chair advises the Senator from California that this is the amendment as modified.

Does the Senator from Rhode Island wish to respond to the question of the Senator from California?

Mr. PASTORE. Will the Senator from California restate his question?

Mr. KUCHEL. I wish to know the reason prompting the Senator to modify his amendment.

Mr. PASTORE. As the bill is now written, the loan must be paid back within a year after the next January. My modified amendment would make it necessary to pay it back within 4 years after the next January. In other words, it would give the State an opportunity to recover from its depressed economic condition before it was compelled to pay back the loan.

Mr. KUCHEL. And in the 4-year interval it would be within the discretion of the State to make repayment to the Federal Government?

Mr. PASTORE. I suppose if it could make the repayment sooner, it would do so.

Mr. KUCHEL. That ought to be pretty clearly indicated. It would be within the discretion of the State government, would it not?

Mr. PASTORE. This is the maximum of the responsibility. I think, without saying so, that is very clearly implied.

Mr. KUCHEL. Under the Senator's amendment, as modified, using the word "fourth", instead of "second", when a loan is made to a State in distress, the State is given 4 years in which to repay to the Federal Government that which it has borrowed?

Mr. PASTORE. That is correct—instead of 1 year.

Mr. MILLIKIN. Or 2.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment offered by the Senator from Rhode Island [Mr. PASTORE].

The amendment, as modified was agreed to.

Mr. KENNEDY. Mr. President, I offer the amendments which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendments offered by the Senator from Massachusetts will be stated.

The LEGISLATIVE CLERK. On page 7, line 23, it is proposed to strike out "(1)";

On page 7, lines 24 and 25, it is proposed to strike out "except as provided in paragraph (2)";

On page 8, it is proposed to insert quotation marks at the end of line 2;

On page 8, beginning with line 3, it is proposed to strike out over through line 7 on page 9;

On page 14, beginning with line 19, it is proposed to strike out over through line 18 on page 15;

On page 15, line 19, it is proposed to strike out "(b)" and insert "Sec. 5. (a)"; and

It is proposed to redesignate subsections (c) to (f), inclusive, as subsections (b) to (e), respectively.

The PRESIDING OFFICER. Does the Senator from Massachusetts wish to have the amendments considered en bloc?

Mr. KENNEDY. Yes.

The PRESIDING OFFICER. Without objection, the amendments will be considered en bloc.

Mr. KENNEDY. Mr. President, I should like to ask the Senator from Colorado [Mr. MILLIKIN] one or two questions.

Is it not a fact that the Congress now has the responsibility, under the Social Security Act, for appropriating to the States the cost of administration of this program?

Mr. MILLIKIN. That is correct.

Mr. KENNEDY. The Congress allows the State administrators enough each year to administer their program.

Mr. MILLIKIN. Under the State-Federal program.

Mr. KENNEDY. Is it not a fact that the $60 million excess which has been developing every year, and which since 1935 we have put in the General Treasury, under the provisions of the bill before us would be built up to $200 million over a period of 3 years, we assume? That will be put in a fund available for loans, and after that each year $60 million will be turned back to the State accounts for benefits and administration. Therefore, is it not possible that the State administrators will not only have the sums which the Congress allows them for administering this program, but will also have additional funds if they can persuade the State governments to grant them?

Mr. MILLIKIN. I think the answer to that question is "Yes." The bill provides that before the State government uses these particular funds for administrative purposes it must appeal to its legislature and obtain permission of the legislature.

Mr. KENNEDY. Is it not a fact that Mr. Folsom, Acting Secretary of the Treasury, opposed this provision, and the administration opposed the provision, in both the House and Senate?

Mr. MILLIKIN. I understand that the Department of Labor opposed it before the Senate Committee.

Mr. KENNEDY. I quote from a letter from Mr. Folsom, Acting Secretary of the Treasury, to the Senator from Colorado, dated Washington, D. C., July 25, 1953:

> At present the Congress has the responsibility for determining what is necessary to the proper administration of the unemployment compensation system and the public employment service, and for appropriating adequate funds for this purpose. Enactment of the bill would mean that after the Congress had made these decisions, additional amounts would nevertheless be available to the States for the same purpose. Moreover, the States would be appropriating tax revenues which they had no responsibility for raising. Such practices would seem to militate against sound administration.
>
> Administrators of State employment security systems have complained that funds made available in the past by the Federal Government have sometimes been inadequate for efficient administration or for desirable innovations in administration. However, this is a problem which should be met directly by the Congress through the appropriation procedure. The Congress has already taken an important step in this direction by providing a contingency fund appropriation of broad scope which will afford greater flexibility in meeting the needs of the States.

Therefore, it seems to me that it is not only the Labor Department opposing this provision, but it is the Treasury also.

Mr. MILLIKIN. The money is raised by the States. Therefore, I do not believe there is much to that argument.

Mr. KENNEDY. It is raised through a Federal tax.

Mr. MILLIKIN. But it comes from the States.

Mr. KENNEDY. Yes; in the sense that it is paid as a tax by the people of the States.

Mr. MILLIKIN. Yes; and they get it back for administrative purposes if they can get the consent of the legislature. We had quite a bit of experience with that administrative question. It seems that some of the States want to carry on studies, and things of that kind, which may not be provided for in the Federal allocation, and one of the questions which the State legislatures should decide is whether such charges are a proper administrative expense. I do not believe there would be much abuse, because benefits have a stronger appeal than do administrative expenses.

Mr. KENNEDY. The Senator will recall that Mr. Brown, of New Hampshire, gave an example of how he would spend the money, which the Senator from Colorado stated was not a satisfactory example.

Mr. MILLIKIN. It was not a satisfactory example. I venture to say with almost certainty that if Mr. Brown will get the Legislature of New Hampshire to go along with his program—I was going to say that I would eat the Senator's hat, but I will take a nibble at it.

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

Mr. KENNEDY. I yield.

Mr. RUSSELL. I may say that I doubt whether it is possible to get any changes made in a bill reported by the Committee on Finance at this late date. However, I agree completely with the Senator from Massachusetts that it is very unfortunate to have administrative funds flowing to a State agency from two different sources. Anyone who has been connected with a State government knows something about the difficulty of keeping up such a process. Heretofore, as I understand, the administrative funds have been determined by congressional appropriations. They have not quite amounted to the full three-tenths of 1 percent. I am not completely familiar with this legislation, but I believe that is the amount the basic law allows. I care not whether it is the New Hampshire Legislature or the legislature of any other State, when the argument is made before a State committee, "This is not going to cost the State treasury anything, and it is not going to cost the State's taxpayers anything, because we are going to pass a State law whereby the Federal Government is going to have to give us $200,000 or $300,000," that argument is absolutely irresistible to a State legislature.

No man need deceive himself that a State legislature will not appropriate the money under those circumstances.

I regret very much that such a provision is in the bill. I think it is an unfortunate provision. I hope an amendment will be offered to strike it out, so that I may have an opportunity to support the amendment of the Senator from Massachusetts.

I spent 10 years in the Legislature of Georgia, and I have also been privileged to serve as Governor of my State. When it comes to the question of getting Federal funds in a State for administrative purposes, I know it is one of the easiest things the head of any State department can undertake.

Mr. KENNEDY. I appreciate what the Senator has stated. I do have an amendment at the desk which provides that the money shall be available only for benefits, not for administration.

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

Mr. KENNEDY. I yield.

Mr. MILLIKIN. In the first place, we are not taking Federal funds. The money is by that time in a State trust fund. It is kept in the Treasury, but it is State money, and therefore the question before the local authorities is, "Shall we use it for benefits, or shall we use it for administrative expenses, or both?"

I have never been a member of a legislature, but I have had a great deal to do with them. I suggest again that benefits will have a much greater popular appeal than will an administrator who is squandering money.

Mr. RUSSELL. That depends on the situation. If there happened to be a call for benefits, the legislature would undoubtedly consider benefits. However, in periods of high employment, when there is no demand for benefits, and when the funds are not going to be spent for that purpose, any man who has had any political experience at all knows that the legislature will give this fund to the administrator for administrative purposes.

As a member of the Appropriations Committee of the Senate, I have had some little experience with appropriations for administrative purposes. We have had some difficulty in some States. Where Federal funds were available for administration, instances have occurred of a State government paying a clerk or a stenographer a considerably higher salary than would be paid if the money was raised from purely State tax sources. Of course I know that all the money comes from the States, but a State cannot get the money until it is appropriated by Congress. However, I should like the present condition maintained, with the exception of the provision for a $200 million fund which the bill establishes.

Of course those funds can never be shaken loose again once they are dedicated to administrative purposes, no matter what the need may be. I should vote to have them impounded for benefits, but I am confronted with that narrow alternative; therefore I shall support the amendment of the Senator from Massachusetts.

Mr. KENNEDY. I thank the Senator.

Mr. MILLIKIN. I should like to suggest that the money in question will be in the State trust funds. If the money were spent in a way the State did not think was proper, or if the money were spent for administrative purposes wastefully, then the State would confront the necessity of raising more money from the taxpayers.

Mr. RUSSELL. I had understood—and I confessed at the beginning that I was not an expert—that all of this money came from the three-tenths of 1 percent tax.

Mr. MILLIKIN. That is correct.

Mr. RUSSELL. Which, by the basic social-security law, is dedicated to this purpose. Heretofore, we have not appropriated the full amount. There is remaining in the hands of the Federal Government as trustee for the States a

trust fund, or something in the nature of a trust fund. Is that not correct?

Mr. MILLIKIN. I would say that in effect it is not that way at all. The Federal Government takes the cost of administering the system from the money it gets from the States.

Mr. KENNEDY. The money does not come from the States. It comes from a Federal tax.

Mr. MILLIKIN. But all of it comes from the States.

Mr. KENNEDY. In the sense that the people of the States pay it. But this is not a State tax; it is a Federal tax we are going to turn over to the States for benefits and administration.

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

Mr. KENNEDY. I yield.

Mr. GEORGE. We levy a tax of 0.3 percent on the employers of the States, and the employers in each State are the men who are faced with this tax, if they are covered by the law. We permitted a deduction of three-tenths of 1 percent to cover the administrative costs. I am not going back to the time when we originally considered this act. The three-tenths of 1 percent was transmitted to Washington, just as the remaining moneys were transmitted to Washington. It all went into the Treasury. The entire fund is paid by the employers in the States under a Federal levy, it is true, but also under a State levy, because the State must make the same levy.

The three-tenths of 1 percent resulted in the accumulation of a fund over and above the administrative costs. What this bill does is to recognize that three-tenths of 1 percent accumulation as State money, belonging to the State. It become a State fund. It is put into the Treasury of the United States, but it is still separated and segregated as a State trust fund. That is all there is to it.

This bill also provides for the establishment of a revolving loan fund. It will require about 4 years to get it underway. If it turns out that there is something wrong with the bill before the 4 years have expired, certainly we can correct it. But the money which is in the Federal Treasury to the credit of each State can be taken out if the trust fund has been made up and there is still a surplus, but it can be taken out only by an act of the legislature of a State. The legislature of the State would be dealing with a State trust fund. This bill would stop the Treasury from using it for general purposes. It would earmark it. It is strictly a trust fund, but it can be taken out.

Permit me to say to my colleague [Mr. RUSSELL] and to other Senators that it may be recalled that the employer group in each State is certainly watching this trust fund, because the higher it becomes, the less will be the tax on them. What is used for administrative purpose would not be of very much help to them.

This fund to the credit of State aid is usable and is available for the payment of additional administrative costs, if the legislature, by resolution or act, approves the payment and can justify it, or the fund is payable for benefits under the Social Security Act. Many States have reduced the cost to their employers by good administration and by the application of what they call the experience-benefit rule, which is authorized in the organic act, so that many States do not levy 3 percent or 2.7 percent for the payment of benefits, and there is constant pressure on the administrative agency of the State to hold the expenditures down. It may be that that should not be, but the tax of the taxpayer in the State is lightened if expenditures are held down.

Mr. RUSSELL. Of course, I recognize that my colleague has correctly outlined the history of the social-security law and its effect of it, but does not this bill grant to the States, even though it be out of their own trust fund, a source of administrative funds not today available to them?

Mr. GEORGE. No. It would be available to them now, if they could satisfy the agency in Washington. That is the nub of the difficulty.

Mr. RUSSELL. I thought it was the Congress of the United States in an appropriation bill rather than an agency in Washington.

Mr. GEORGE. That is true, and if the agency represented that a State was entitled to so much for administrative costs, the Appropriations Committee would very likely grant it. But if the agency said, "No; we have scrutinized this administrative setup, and it should not be so high, should be cut down," the Appropriations Committee probably would ordinarily follow that recommendation, but not necessarily so.

Mr. RUSSELL. The Appropriations Committee in times past has reduced the amount requested by a Federal agency to be allocated to the States for administrative purposes.

Mr. GEORGE. That is true. The amount may have been increased in some instances.

Mr. RUSSELL. I do not gainsay that; I do not know, as a matter of fact. My only point is that, as a matter of policy, it is a bad idea for a State agency which is handling this fund, covered under Federal law as well as State law, to have two sources of funds for administrative expenses. I submit that the ordinary legislative body meeting for 30 or 60 days a year, with a great press of business, cannot keep up with the administration of an agency if it has to trace some of the money all the way back to Washington in connection with appropriations by the National Congress. We should make all the funds for administration within the States available by an act of the State legislative body, or we should retain the funds where they are today and have the money appropriated by the National Congress. I submit that, as a matter of policy, it would cause trouble if we made available to a State agency administrative funds from two separate sources, and the funds were merged.

Mr. GEORGE. The source is the same, exactly the same. It is the State's money. It has always been so recognized. Yet, the Federal Government said, "Since you did not spend it for administrative purposes and since you are accumulating a fund which is, in one instance, $100 million and in another instance $600 million, it should be devoted to general purposes."

The temptation is to cut down on the State administrator because every dollar cut from the State administrator is put into the general fund, and it goes into the general Treasury. It is from the same source. There are two methods of dealing with it, but, in the first instance, the method is directed, under the present law, strictly by the Congress.

Mr. RUSSELL. I did not understand the bill proposed to do away with congressional appropriations.

Mr. GEORGE. No; I do not think it does.

Mr. RUSSELL. But it adds a source of revenue by providing that legislatures may likewise take the funds for administrative purposes.

Mr. GEORGE. Only out of the surplus which is placed to the credit of the States. The important check is the vigilance of employers who watch this fund very carefully, since the fund is placed to the credit of the States and is available for the payment of administrative costs if they can be justified. Payment of benefits was begun under the Unemployment Compensation Act. It seems to me we have as good a check on it as we can possibly have. I think the States and all the employers in the States will soon learn, if they have not already learned—and a great many of them have been pressing us to approve this proposed legislation—that the employers are not trying to build up a lot of machinery for administrative purposes. They are trying to hold down taxes. I think it is a matter of gratification that in many States, indeed in a great many States, through the experience rating which the organic law recognizes, employers themselves have been able to perform the real functions of the Unemployment Compensation Act by keeping more people on their payrolls for a longer period of time without drastic reductions in wages. They are always watchful in an effort to reduce, if possible, the costs, because the tax involved falls on them whether they are in the red or in the black. They have to pay it. It seems to me there is no great difficulty about it, because they have this additional method of getting some part of the surplus, if a surplus should accrue.

Let me say that a surplus over and above the loan fund cannot accrue for at least 3½ or 4 years. In the meantime, certain "bugs" might be discovered, and the law could be corrected.

Mr. RUSSELL. Mr. President, if my colleague will indulge me 1 more minute, I believe in the fullest measure of autonomy for the State governments, as a usual procedure. I have constantly opposed any effort which would saddle upon the several States a Federal system with reference to payments, the length of time payments are to be made, or the conditions of payment.

I believe I recall that at one time the distinguished Senator from California [Mr. KNOWLAND] led a fight in the Senate to preserve that doctrine, and I fought shoulder to shoulder with him.

If it is proposed to make this purely a State function, and to let the State governments, from the allocation, say what they intend to devote to administration, I shall be very happy to support such a proposal. But I cannot support a system which is based partly upon appropriations for administration from the Federal Treasury, and partly upon giving to the legislatures of the States the authority to appropriate funds for administration. I believe that is something entirely within the efforts of coordination between the Federal Government and the States. In my judgment, it will lead to confusion, if not to scandals, in some States, to have the funds coming from the two sources.

Mr. KENNEDY. I thank the Senator from Georgia.

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

Mr. KENNEDY. I yield.

Mr. HUMPHREY. Is it not true that in a number of instances some States have received for administrative costs more money from the Federal Treasury than they actually have paid in?

Mr. KENNEDY. Yes; that is a fact. I think that demonstrates that these are State funds. For example, the State of North Dakota has received 194 percent of what it has paid in under the tax. The State of Georgia has received only 77 percent of what it has paid in. So it is obvious that some States are carrying the load for other States.

It is a question of what decision the Department of Labor and the Committee on Appropriations will reach as to what the States need. As the Senator from Georgia has said, to permit the States to have a further remedy, in order to appeal for funds beyond the Committee on Appropriations, would be a mistake.

Mr. HUMPHREY. So what we have, in this instance, is that this Federal tax collectible goes into the Federal Treasury and is earmarked for specific purposes, and is placed in trust funds. However, if a State needs more than the Federal tax yields, the State gets the additional amount for purposes of administration.

Mr. KENNEDY. That is correct.

Mr. HUMPHREY. If those taxes are greater, it cannot be State revenue, because one cannot take out of a State revenue receptacle more than is in it. What it really amounts to is the designating of Federally accumulated funds in State compartments for State administrative purposes; and when that money has been exhausted, they reach out and take more from somewhere else.

Mr. KENNEDY. Yes. I conclude by saying that the money is redistributed, not in accordance with what each State may receive for administration, but according to the percentage which a State's payroll bears to the total amount of the payrolls. This demonstrates that there is no real connection between the amount which a State pays in to the fund and the amount which will be available to it under this plan.

Mr. MILLIKIN. Mr. President, I simply wish to say again that I think the amendment should be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. KENNEDY].

Mr. KENNEDY. I ask for the yeas and nays.

The yeas and nays were not ordered.

Mr. KENNEDY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. KENNEDY. 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. KNOWLAND. Mr. President, on this amendment I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. KENNEDY]. On this question the yeas and nays have been ordered.

Mr. DOUGLAS. Mr. President, before the Senate proceeds to vote, I wish to point out that the amendment offered by the Senator from Massachusetts is precisely what has been recommended by the administration. I read from a letter to the Senator from Colorado [Mr. MILLIKIN] under date of July 17, 1953, signed by M. B. Folsom, Acting Secretary of the Treasury, which appears on page 13 of the hearings on the bill. I read the salient paragraph:

> In view of these considerations, it would seem reasonable and appropriate that the excess Federal unemployment tax collections allocated to the States be used only for benefit purposes.

Mr. HUMPHREY. Mr. President, will the Senator from Illinois yield before leaving that point?

Mr. DOUGLAS. I yield.

Mr. HUMPHREY. On page 12 of the committee hearings, the Senator will observe a colloquy between the chairman of the committee, the Senator from Colorado [Mr. MILLIKIN], and Assistant Secretary of Labor Siciliano. I call attention to the following:

> The CHAIRMAN. What is the State responsibility in the raising of these funds?
>
> Mr. SICILIANO. To answer your question, the State has no responsibility for raising three-tenths of 1 percent tax.
>
> The CHAIRMAN. No administrative machine?
>
> Mr. SICILIANO. None, sir.
>
> The CHAIRMAN. It is completely controlled by congressional legislation?
>
> Mr. SICILIANO. Yes, sir. I might say that the total tax is 3 percent; 90 percent of that 3 percent, or 2.7, is raised by the States for their own benefit program, but this three-tenths of 1 percent is paid indirectly into the Federal Treasury. That is a Federal tax.

My point is that this is exactly what the Senator from Massachusetts has been contending, namely, that these are not State funds; they are funds which are raised by a Federal tax. The administration says that these funds, if they are to be used, or if they are to be in excess of need, should be for benefits.

Furthermore, Mr. Folsom, in the letter from which the Senator from Illinois has just quoted, was quite adamant in his position that if the bill now before the Senate be passed without the Kennedy amendment, the opportunity will be opened up for excessive abuse of the funds for administrative purposes.

I summarize by saying that we are about to vote on one of the recommendations by the present administration to protect the integrity of the funds raised by the Federal tax.

Mr. DOUGLAS. The Senator from Minnesota is exactly correct.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Massachusetts [Mr. KENNEDY]. On this question the yeas and nays have been ordered, and the Secretary will call the roll.

The Chief Clerk called the roll.

Mr. SALTONSTALL. I announce that the junior Senator from Indiana [Mr. JENNER] and the junior Senator from Wisconsin [Mr. McCARTHY] are absent on official business. The senior Senator from Wyoming [Mr. BARRETT], the junior Senator from Wyoming [Mr. CRIPPA], and the Senator from Illinois [Mr. DIRKSEN] are necessarily absent. If present and voting, the junior Senator from Indiana [Mr. JENNER] would vote "nay."

On this vote the junior Senator from Wisconsin [Mr. McCARTHY] is paired with the Senator from Texas [Mr. DANIEL]. If present and voting, the junior Senator from Wisconsin [Mr. McCARTHY] would vote "nay" and the Senator from Texas [Mr. DANIEL] would vote "yea."

Mr. CLEMENTS. I announce that the Senator from Virginia [Mr. BYRD], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Texas [Mr. DANIEL], the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. ELLENDER], the Senator from Iowa [Mr. GILLETTE], the Senator from Oklahoma [Mr. KERR], the Senator from South Carolina [Mr. MAYBANK], the Senator from Arkansas [Mr. McCLELLAN], and the Senator from Virginia [Mr. ROBERTSON] are absent on official business.

The Senator from Florida [Mr. HOLLAND] is absent by leave of the Senate, attending the Sixth Pan-American Highway Congress at Caracas, Venezuela, and if present would vote "yea."

I announce further that on this vote the Senator from Virginia [Mr. BYRD] is paired with the Senator from Oklahoma [Mr. KERR]. If present and voting, the Senator from Virginia would vote "nay," and the Senator from Oklahoma would vote "yea."

I announce also that on this vote the Senator from Texas [Mr. DANIEL] is paired with the Senator from Wisconsin [Mr. McCARTHY]. If present and voting, the Senator from Texas would vote "yea," and the Senator from Wisconsin would vote "nay."

Mr. GOLDWATER. Mr. President, how am I recorded?

The PRESIDING OFFICER. The Senator is recorded as voting in the negative.

Mr. DUFF. Mr. President, how am I recorded?

The PRESIDING OFFICER. As voting in the negative.

Mr. SALTONSTALL. Mr. President, how am I recorded?

The PRESIDING OFFICER. The Senator is recorded as voting in the negative.

Mr. FERGUSON. Mr. President, am I recorded?

The PRESIDING OFFICER. The Senator is recorded as voting in the negative.

Mr. DOUGLAS. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOUGLAS. For whom are we waiting?

The PRESIDING OFFICER. The Chair advises the Senator that that is not a parliamentary inquiry.

Mr. PAYNE. Mr. President, how am I recorded?

The PRESIDING OFFICER. As voting in the negative.

Mr. BENNETT. How am I recorded?

The PRESIDING OFFICER. As voting in the negative.

Mr. BEALL. Mr. President, how am I recorded?

The PRESIDING OFFICER. The Senator is recorded as voting in the negative.

The result was announced—yeas 31, nays 48, as follows:

YEAS—31

Anderson	Johnson, Tex.	Morse
Burke	Johnston, S. C.	Murray
Clements	Kefauver	Neely
Douglas	Kennedy	Pastore
Fulbright	Kilgore	Russell
Gore	Kuchel	Smathers
Green	Langer	Sparkman
Hennings	Lehman	Stennis
Hill	Magnuson	Symington
Humphrey	Mansfield	
Jackson	Monroney	

NAYS—48

Aiken	Ferguson	Mundt
Beall	Flanders	Payne
Bennett	Frear	Potter
Bowring	George	Purtell
Bricker	Goldwater	Reynolds
Bridges	Hendrickson	Saltonstall
Bush	Hickenlooper	Schoeppel
Butler	Ives	Smith, Maine
Capehart	Johnson, Colo.	Smith, N. J.
Carlson	Knowland	Thye
Case	Lennon	Upton
Cooper	Long	Watkins
Cordon	Malone	Welker
Duff	Martin	Wiley
Dworshak	McCarran	Williams
Ervin	Millikin	Young

NOT VOTING—17

Barrett	Eastland	Kerr
Byrd	Ellender	Maybank
Chavez	Gillette	McCarthy
Crippa	Hayden	McClellan
Daniel	Holland	Robertson
Dirksen	Jenner	

So Mr. KENNEDY'S amendment was rejected.

Mr. MILLIKIN. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. KNOWLAND. Mr. President, I move to lay on the table the motion of the Senator from Colorado.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California to lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. HUMPHREY. Mr. President, I merely wish to keep the record straight. Today we have had 2 yea-and-nay votes on 2 amendments. I am very proud to say that both the amendments were highly recommended by President Eisenhower and the administration. I regret very much that both the amendments have been rejected, although I am delighted to be able to say that a few of us have been glad to support them. So the record should be clear in showing that the Eisenhower administration has suffered two defeats this afternoon.

Mr. SMITH of New Jersey. Mr. President, in answer to the Senator from Minnesota, let me say he is entirely mistaken. I have checked with the White House, and the President was opposed to the Kennedy amendment.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. KNOWLAND. Mr. President, on this question I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll.

Mr. SALTONSTALL. I announce that the junior Senator from Indiana [Mr. JENNER] and the junior Senator from Wisconsin [Mr. MCCARTHY] are absent on official business. The senior Senator from Wyoming [Mr. BARRETT], the junior Senator from Wyoming [Mr. CRIPPA], and the Senator from Illinois [Mr. DIRKSEN] are necessarily absent.

If present and voting, the junior Senator from Indiana [Mr. JENNER] and the junior Senator from Wisconsin [Mr. MCCARTHY] would each vote "yea."

Mr. CLEMENTS. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Texas [Mr. DANIEL], the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. ELLENDER], the Senator from Iowa [Mr. GILLETTE], the Senator from Oklahoma [Mr. KERR], the Senator from South Carolina [Mr. MAYBANK], the Senator from Nevada [Mr. MCCARRAN], and the Senator from Arkansas [Mr. MCCLELLAN] are absent on official business.

The Senator from Florida [Mr. HOLLAND] is absent by leave of the Senate, attending the Sixth Pan-American Highway Congress at Caracas, Venezuela, and if present, he would vote "yea."

I announce further that if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Texas [Mr. DANIEL], the Senator from Iowa [Mr. GILLETTE], and the Senator from Oklahoma [Mr. KERR] would each vote "yea."

The result was announced—yeas 78, nays 3, as follows:

YEAS—78

Aiken	Bricker	Byrd
Anderson	Bridges	Capehart
Beall	Burke	Carlson
Bennett	Bush	Case
Bowring	Butler	Clements
Cooper	Johnson, Colo.	Payne
Cordon	Johnson, Tex.	Potter
Douglas	Johnston, S. C.	Purtell
Duff	Kefauver	Reynolds
Dworshak	Kilgore	Robertson
Ervin	Knowland	Russell
Ferguson	Kuchel	Saltonstall
Flanders	Langer	Schoeppel
Frear	Lehman	Smathers
Fulbright	Lennon	Smith, Maine
George	Long	Smith, N. J.
Goldwater	Magnuson	Sparkman
Gore	Malone	Stennis
Hayden	Mansfield	Symington
Hendrickson	Martin	Thye
Hennings	Millikin	Upton
Hickenlooper	Monroney	Watkins
Hill	Morse	Welker
Humphrey	Mundt	Wiley
Ives	Murray	Williams
Jackson	Neely	Young

NAYS—3

Green	Kennedy	Pastore

NOT VOTING—15

Barrett	Eastland	Kerr
Chavez	Ellender	Maybank
Crippa	Gillette	McCarran
Daniel	Holland	McCarthy
Dirksen	Jenner	McClellan

So the bill (H. R. 5173) was passed.

The title was amended, so as to read: "A bill to provide that the excess of collections from the Federal unemployment tax over employment security administrative expenses shall be used to establish and maintain a $200 million reserve in the Federal unemployment account which will be available for advances to the States, to provide that the remainder of such excess shall be returned to the States, and for other purposes."

Mr. MILLIKIN. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. KNOWLAND. Mr. President, I move to lay the motion of the Senator from Colorado on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California.

The motion to reconsider was laid on the table.

Mr. MILLIKIN. Mr. President, I move that the Senate insist upon its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate; also, that the Senate amendments be numbered.

The motion was agreed to; and the Presiding Officer appointed Mr. MILLIKIN, Mr. MARTIN, Mr. WILLIAMS, Mr. GEORGE and Mr. BYRD conferees on the part of the Senate.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, its reading clerk, notified the Senate that Mr. KELLEY of Pennsylvania had been appointed a manager on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7434) to establish a National Advisory Committee on Education, vice Mr. BARDEN, excused.

The message also notified the Senate that Mr. KELLEY of Pennsylvania had been appointed a manager on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the

bill (H. R. 7601) to provide for a White House Conference on Education, vice Mr. BARDEN, excused.

The message further notified the Senate that Mr. KELLEY of Pennsylvania had been appointed a manager on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 9040) to authorize cooperative research in education, vice Mr. BARDEN, excused.

The message also notified the Senate that Mr. BAILEY, of West Virginia, had been appointed a manager on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2759) to amend the Vocational Rehabilitation Act so as to promote and assist in the extension and improvement of vocational rehabilitation services, provide for a more effective use of available Federal funds, and otherwise improve the provisions of that act, and for other purposes, vice Mr. BARDEN, excused.

ENROLLED BILLS SIGNED

The message announced that the Speaker had affixed his signature to the enrolled bill (S. 3378) to revise the Organic Act of the Virgin Islands of the United States, and it was signed by the President pro tempore.

CONSTRUCTION OF FOSTER CREEK DIVISION OF CHIEF JOSEPH DAM PROJECT, WASHINGTON

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H. R. 4854) to authorize the Secretary of the Interior to construct, operate, and maintain the irrigation works comprising the Foster Creek division of the Chief Joseph Dam project, Washington, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. CORDON. I move that the Senate insist upon its amendment, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. CORDON, Mr. MILLIKIN, Mr. WATKINS, Mr. ANDERSON, and Mr. JACKSON conferees on the part of the Senate.

SALE OF CERTAIN LAND IN ALASKA TO HARDING LAKE CAMP, INC., FAIRBANKS, ALASKA

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 2900) to authorize the sale of certain land in Alaska to the Harding Lake Camp, Inc., of Fairbanks, Alaska, for use as a youth camp and related purposes, which were, to strike out all after the enacting clause and insert:

That the Harding Lake Camp, Inc., an Alaska nonprofit corporation, of Fairbanks, Alaska, is hereby authorized for a period of 1 year from and after the effective date of this act to apply for the purchase of, and the Secretary of the Interior is hereby authorized and directed to convey to the organization, for use as a youth camp and related purposes, the following-described land situated in Alaska: Southeast quarter of the southeast quarter and all of lot 5, section 7, township 6 south, range 5 east, Fairbanks meridian, Alaska, United States survey 1901, Salchaket townsite plat.

SEC. 2. That the conveyance shall be made upon the payment by the said organization for the land at its reasonable appraised price to be fixed by the Secretary of the Interior. The conveyance shall be made only if the Harding Lake Camp, Inc., makes the total payment due within 5 years after notification by the Secretary of the amount due: *Provided*, That the conveyance hereby authorized shall not include any land covered by a valid existing right initiated under the public land laws.

And to amend the title so as to read: "An act to authorize the sale of certain land in Alaska to the Harding Lake Camp, Inc., an Alaska nonprofit corporation, of Fairbanks, Alaska, for use as a youth camp and related purposes."

Mr. CORDON. Mr. President, I move that the Senate disagree to the amendments of the House, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer appointed Mr. CORDON, Mr. WATKINS, Mr. KUCHEL, Mr. JACKSON, and Mr. LONG conferees on the part of the Senate.

AMENDMENT OF THE ATOMIC ENERGY ACT OF 1946, AS AMENDED

Mr. KNOWLAND. Mr. President, I move that the Senate proceed to the consideration of calendar 1710, Senate bill 3690.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 3690) to amend the Atomic Energy Act of 1946, as amended, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from California.

EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING ACT OF 1954—RESOLUTION

Mr. DOUGLAS. Mr. President, I intend to ask unanimous consent that I may be permitted, out of order, to submit for immediate consideration a resolution on behalf of the junior Senator from Oregon [Mr. MORSE], the junior Senator from Minnesota [Mr. HUMPHREY], and myself. The resolution reads as follows——

Mr. KNOWLAND. Mr. President, I wonder if the Senator would have any objection to having the Atomic Energy bill made the unfinished business. I shall be glad to keep the Senate in session long enough to give the Senator an opportunity to speak.

Mr. DOUGLAS. Since it so appropriately follows the action just taken by the Senate, I request that the resolution be read by the clerk now.

Mr. KNOWLAND. Mr. President, I have a motion pending.

Mr. DOUGLAS. Is not the Senator's motion debatable, and is it not in order to submit a unanimous consent request?

Mr. KNOWLAND. It is, but I will say to the Senator that I think the procedure is a little irregular. I have made a motion to proceed to the consideration of Senate bill 3690.

Mr. DOUGLAS. I understand; but when I first came to this body I heard a motion to proceed to the consideration of a bill debated for several weeks. I have always thought that under the rules of the Senate a motion to proceed to the consideration of a bill was debatable.

Mr. KNOWLAND. I will say to the Senator that it is the intention to keep the Senate in session for at least an hour. The Senator will not be foreclosed from making his unanimous consent request, but at this time I would have to object to it.

Mr. DOUGLAS. I have not yet made the unanimous consent request. I have merely stated that it is my intention to make the request and I have asked that the resolution in question be read at the desk so that Senators may be informed of its content and of its obvious merit. When the unanimous consent request has been completed, it would then seem to me to be in order for the Senator from California to object.

The PRESIDING OFFICER. The Chair advises the Senator from Illinois that unanimous consent is necessary to have the clerk read the resolution.

Mr. DOUGLAS. May I then read it myself?

The PRESIDING OFFICER. The Senator has that privilege.

Mr. KNOWLAND. Mr. President——

Mr. DOUGLAS. The resolution with respect to which I shall submit the unanimous-consent request for immediate consideration reads as follows:

Whereas President Eisenhower in his 1954 Economic Report last January suggested to the States that they act to increase unemployment-insurance benefits to at least 50 percent of the insured worker's regular wages, up to a maximum of 66⅔ percent of the average wage in the State, and at the same time extend the duration of weekly payments to 26 weeks for all persons qualifying for receipt of any such payments; and

Whereas Secretary of Labor Mitchell, in his February 16, 1954 letter to Governors implementing President Eisenhower's suggestion, made similar suggestions and cited supporting actions by the Federal Advisory Council on Employment Security; and

Whereas the majority in the House and Senate have now successfully opposed efforts to implement President Eisenhower's and Secretary Mitchell's recommendations and by amending the Federal Social Security Act and Unemployment Tax Act, to establish the standards recommended last winter by the Eisenhower administration; and

Whereas none of the legislatures meeting in regular session in 1954 carried out the Eisenhower administration recommendations; and

Whereas more than 600,000 insured workers have exhausted their benefit rights under existing standards in State laws and are exhausting benefits at the rate of 40,000 a week; and

Whereas since, in President Eisenhower's words, unemployment insurance is a "valuable first line of defense against recession"

and is going to be of maximum usefulness in restoring and maintaining mass purchasing power necessary to the economic health of the Nation: Now, therefore, be it

Resolved, That the Senate of the United States, having voted against implementing President Eisenhower's recommendations by Federal action, recommends to the Governors now in session at Bolton Landing, N. Y., that they pay attention to President Eisenhower's recommendation, now 6 months old, by either convening their legislatures in special session for immediate action to increase weekly unemployment-insurance payments and number of weeks duration or, at the very least, by making such action the No. 1 item of business when the legislatures next convene in regular session.

I now ask unanimous consent for the immediate consideration of the resolution I have just read. I suggest that the popular term for the resolution be "The Last Mail for Bolton Landing."

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

Mr. KNOWLAND. Mr. President, I object, and I renew my motion that the Senate proceed to the consideration of Calendar No. 1710, S. 3690, to amend the Atomic Energy Act of 1946, as amended, and for other purposes, so that it may be made the unfinished business.

Mr. DOUGLAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER (Mr. BUSH in the chair). The Senator from Illinois will state it.

Mr. DOUGLAS. What is the business before the Senate?

The PRESIDING OFFICER. The Senator from California just proposed the business before the Senate, and the question is on his motion.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 3690) to amend the Atomic Energy Act of 1946, as amended, and for other purposes.

Mr. DOUGLAS. Mr. President——

Mr. KNOWLAND. Mr. President, I have not yielded the floor.

The PRESIDING OFFICER. The Senator from California has the floor.

LEGISLATIVE PROGRAM

Mr. KNOWLAND. Mr. President, a number of Senators have inquired about the legislative program and what it is planned to do for the remainder of the week. This evening the Senate will continue in session for the next hour or hour and a half, for the opening of the debate on the atomic energy bill. I understand that several speeches are to be made this evening in addition to the consideration of the unfinished business.

There are a number of bills with respect to which I should like to give notice that they may be taken up later in the week, although not necessarily in the order in which I give them.

The bills are:

Calendar No. 1315, S. 2910, providing for the creation of certain United States judgeships, and for other purposes.

Calendar No. 644, H. R. 6287, to extend and amend the Renegotiation Act of 1951.

Calendar No. 1720, S. 3706, to amend the Subversive Activities Control Act of 1950, to provide for the determination of the identity of certain Communist-infiltrated organizations, and for other purposes.

Calendar No. 1794, S. 880, to amend the license law of the District of Columbia.

Calendar No. 1797, S. 2601, to provide for Federal financial assistance to the States and Territories in the construction of public elementary and secondary school facilities.

We plan to have a Saturday session, both for the purpose of completing consideration of the pending business that may be carried over from Friday and for a call of the calendar of bills to which there is no objection, from the point where the last call of the calendar was concluded.

I hope that this week also we will have before us the conference report on the housing bill. I understand the conferees on the tax bill are either meeting or are about to meet, and I hope that before the end of the week we will perhaps have before us the conference report on the tax bill.

I hope also that we may be able to reach consideration of the agricultural bill next week, probably by Tuesday.

I make this announcement so that Senators may be advised as far in advance as possible as to the legislative program. I shall keep the minority and the Senate as a whole advised of additional bills which will be set for consideration by the Senate.

Mr. HICKENLOOPER obtained the floor.

Mr. JOHNSTON of South Carolina. Mr. President, will the Senator yield me 2 or 3 minutes? I shall not take more than 3 minutes.

Mr. HICKENLOOPER. I shall be glad to yield, provided I do not thereby lose the floor.

The PRESIDING OFFICER. Without objection, the Senator from Iowa yields to the Senator from South Carolina with the understanding that he will not lose the floor.

POSTAL RATE INCREASES

Mr. JOHNSTON of South Carolina. Mr. President, this final session of the 83d Congress is rapidly drawing to a close. From both sides of the aisle we hear statements that Congress will adjourn on July 31, or at the latest by August 7.

Mr. President, that is just 2½ weeks away, yet I am hearing persistent rumors that the President is insistent that the Congress take affirmative action on legislation designed to increase postal rates.

One year ago, almost to the day, I addressed this body regarding the very same subject—postal rate increases—and called attention to the fact that hearings on rate legislation had not been held. I stated to the Senate at that time that I, as ranking minority member of the Senate Post Office and Civil Service Committee, would insist that full and adequate hearings and study be made of this most important proposal before any action be taken. I repeat that statement today.

But, so far, the Senate Committee on Post Office and Civil Service has given but 1 day of study or hearings to this vital and far-reaching proposal.

Mr. President, as Senators are only too well aware, postal rate legislation is highly serious and a technically complicated affair.

I understand that the rate legislation reported by the House Committee on Post Office and Civil Service, and now pending before the rules committee of that body, provides for an increase in the first class letter rate of 1 cent and also calls for a further increase of 1 cent in the air mail rate. I also understand that the postmaster general, Arthur E. Summerfield, proposed and fully endorsed this 1 cent increase in air and first class letter rates. I assume, therefore, this is the rate increase the administration will ask in the Senate.

Mr. President, when we ask the people of this country to pay a substantially higher rate of postage on their letter mailing privileges, we are dealing with major legislation.

Never before, certainly not to my knowledge, has the Senate of the United States been requested by any administration to take arbitrary action on such controversial legislation without full and adequate study and hearings. To do so now would be to establish a highly dangerous precedent.

Mr. President, I simply cannot bring myself to believe that the Senate will be asked to vote on an issue as vital and controversial as this one without adequate and proper study and investigation.

If, as rumors report, the administration considers higher postal rates as must legislation, I am confident that my colleagues on the minority side as well as many on the other side of the isle, will join with me when I say that the Senate had better be prepared to remain in session as long as is required to give this proposal the scrutiny it certainly deserves. Full and complete hearings cannot be concluded in less than 30 days and I most certainly shall insist that the people most affected by this proposed tax increase be given ample opportunity and accorded a just and proper hearing before the Committee on Post Office and Civil Service prior to a bill being reported to the Senate.

PROBLEMS OF WATER UTILIZATION

Mr. WATKINS. Mr. President——

Mr. HICKENLOOPER. Mr. President, I yield to the Senator from Utah, with the understanding that I do not thereby lose the floor.

Mr. WATKINS. Mr. President, the Committee on Interior and Insular Affairs now has before it for consideration the upper Colorado River storage project bill. Because of the importance of this project to the people of the States of Colorado, Wyoming, Utah, and New Mexico, and because I know that my colleagues in the Senate have not had the opportunity to study this type of legislation, it has been deemed advisable and justifiable to explain that project in a series of short, nontechnical statements. Today I should like to explain our problem of water utilization and how it is different from what may be the

physical facts presently existing in the home States of my colleagues.

Mr. President, I ask unanimous consent that the remainder of my statement be printed in the body of the RECORD at this point.

There being no objection, the remainder of Mr. WATKINS' statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR WATKINS

A divine providence placed upon this earth a rich abundance of natural resources and raw materials for us to use and develop. Throughout this great Nation we can find abundances and shortages of various of these resources. This fact was emphasized by recent devastating floods in the Central States, and the corresponding drought and dust storms of the West and Southwest. Man could master a great resource problem were he able to transport water from geographic areas with an overabundance of rainfall to areas suffering, as we in the upper basin States do, from a lack of sufficient water.

That problem of water conservation and utilization is our No. 1 problem and one that we seek to solve by this reclamation project.

Specifically the problem is twofold: The first and most important problem is that of providing water for consumption use in agriculture, in industry, and in communities. The second is the production of hydroelectric power, also badly needed in the area.

In many States the waters of a stream are subject to private ownership. This is not so in Utah and the other upper basin States. As an example: The Utah code and constitution provide that water belongs to the State of Utah as trustee for the beneficial use by the people of the State. Under this water law the individual can acquire only a use right.

This principle of beneficial use was paramount in the laws of the States which signed the Colorado River Compact of 1922, with a slight variation in the State of California. That compact was ratified by Congress, thus acknowledging not only the division of water between the upper and lower basin States, but also the principles of water use which those States as a region endorsed and followed. Under that ratification and the subsequent 1948 upper basin compact ratification, the United States has recognized the ownership of the waters of the Colorado River to be the property of the people of the States wherein it flows.

In the West, priorities of water use are recognized, the first being consumptive uses in the following order: Domestic and municipal, agricultural (irrigation), and industrial (processing). Then follows the nonconsumptive uses, such as power, recreation, navigation, and so forth. This makes any water developed for irrigation and industrial use available for subsequent domestic use if the need arises. People, therefore, who assess this project purely on the basis of irrigation costs per acre, are maliciously overlooking the obvious fact that the water developed for agricultural purposes is available for industrial and culinary use, and that when such use is dictated by necessity, the water development will be justified at almost any cost.

The 1922 Colorado River compact divided the first 15 million acre feet of water annually at Lee Ferry equally between the upper and lower basins. In 1948 the upper Colorado River Basin compact divided the 7,500,000 acre feet annually allocated to the upper basin for consumptive use among the upper basin States.

The Colorado River is a wild, unique river, characterized by a widely variable flow and a deep gorge through which it flows for several hundred miles in Wyoming, Colorado, and Utah. The diversions of water for consumptive uses in the upper Basin must be made on the upper reaches of the stream so that the water may be conveyed by gravity from the river or its tributaries to the points of use.

Before such diversions can be made in the upper basin to utilize the basin's share of the Colorado River, storage must be provided to regulate the flow of the river so that the water available during the wet cycle of years may be put into storage for use during the dry periods. These storage reservoirs required for stream regulation, such as the Glen Canyon Reservoir, are below the irrigated land in the upper basin. No water out of the Glen Canyon Reservoir will be used for irrigation in the upper basin. This reservoir is nevertheless an irrigation reservoir because it will provide water for irrigation uses in exchange for the water from the high tributaries that will be diverted by gravity for consumptive uses in the upper basin.

In addition to their use for river regulation and to provide water for irrigation by exchange these storage reservoirs in the deep canyons of the Colorado provide sites for huge hydro powerplants, the energy from which will furnish revenues to help pay for the project costs.

Power is essential to the development of the raw materials and industrial resources so abundant in the upper basin. Tremendous quantities of energy are available in the falling water at each of these dams. This great natural, recurring water and power resource should and must be developed for the benefit, in perpetuity, of the local people, the States, and the Nation.

The users of power from this project are essentially the same people as the users of water. The use of power revenues, therefore, to help pay for the costs of the irrigation features of the project is, therefore, an equitable way to assess for the indirect benefits from the project construction.

The upper Colorado project envisions the construction of a series of holdover storage reservoirs on the upper Colorado River and its tributaries to enable the upper basin to meet its delivery commitments to the lower basin States.

There will be little direct diversion of water from these storage holdover reservoirs for irrigation because of the topography of the river, as described previously. Instead of costly pumping, the project plan provides for a series of participating units which are designed to catch the water as it comes off the mountain watersheds, and distribute it by conduits and canals to communities and to the irrigable areas.

Wherever these canals provide natural fall, power generators will be installed to take advantage of the generation potential and to furnish the power needed for regulating the water flow in these distribution and conduit canals.

The surplus power generated will be available for purchase by public utilities at a rate set for sale of power throughout the entire basin.

This is a new step in reclamation planning, financing, and accounting. We have, as a result of 50 years of study, come up with what is called the basin account. By this we mean that this surplus power, produced throughout the basin, will be sold to private utilities, REA's, municipal power companies, and other power users and distributors at a basin rate which will be uniform throughout the four States. The proceeds will go into a basin-account fund where they will be pooled.

The revenues from irrigation, industrial and other water uses likewise will find their way to and be comingled with this same power-pool fund. Repayment of all reimbursable costs then will be drawn from this basin account fund and deposited in the United States Treasury.

I don't want the Members of the Senate to misunderstand. This basin account is not just a big pot that is dipped into at will to repay any project. Rather, the revenues from each project will go to repayment of its particular reimbursable costs first. Then, after the Treasury has received 100 percent of the reimbursable costs on that project, the new power proceeds in the pooled fund will then got to help repay the other costs which are in excess of the irrigator's ability to repay.

When the vast project is completed, after nearly 100 years of progressive construction, the Colorado River will be completely controlled. Its flow in the upper basin will be regulated for maximum water utilization. The resulting productivity of the area served by the project, besides providing the money to repay all the reimbursable project costs, also will furnish tax revenue estimated to be far in excess of the total cost of the project every 50 years.

In 100 years, the people of these upper basin States have put to use only one-third of their allocated share of this river. We have exhausted our ability to harness this river under private, municipal and State enterprise. We do not seek Federal aid to provide that which we can do ourselves. We only ask aid to accomplish that which we are unable to do ourselves, and we are willing to pay the bill ourselves.

The upper Colorado River storage project is self-liquidating. Income from the irrigation water users, fixed by their ability to pay, from a conservancy district ad valorem tax, and from power revenues will pay all costs allocated to irrigation in a period of 50 years, and the costs of power and municipal facilities will be repaid with interest in the same period of time. After 50 years from construction, the net revenues from Echo Park and Glen Canyon plants alone will yield to the United States Treasury annually from $15 to $20 million a year.

CONTINUATION OF COMMITTEE ON SMALL BUSINESS IN THE 84TH CONGRESS

Mr. FERGUSON. Mr. President——

Mr. HICKENLOOPER. Mr. President, I yield to the Senator from Michigan, with the same understanding.

Mr. FERGUSON. Mr. President, today the policy committee of the majority party adopted the following resolution:

Resolved, That it be the sense of the Republican policy committee that the Committee on Small Business is of value to the work of the Senate, and that it be continued in the 84th Congress; that the Vice President in appointing its membership be requested to follow the recommendation of the committee on committees, and that said committee on committees give careful consideration to those Members of the Senate who have served on said committee, and are desirous of continuing that service.

Mr. President, as a member of the Small Business Committee and also as chairman of the majority policy committee, I wish to make this report and say that I share the view that the work of the Small Business Committee is very important to the work of the Senate.

SUPPLEMENTAL VIEWS ON SENATE BILL 3114

Mr. MURRAY. Mr. President, will the Senator from Iowa yield?

Mr. HICKENLOOPER. I yield, with the understanding that I do not thereby lose the floor.

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

Mr. MURRAY. Mr. President, yesterday in reporting Senate bill 3114 from the Committee on Labor and Public Welfare, a bill to improve the public health by encouraging more extensive use of voluntary prepayment method in the provision of personal health services, the Senator from Connecticut [Mr. PURTELL] asked unanimous consent that permission be granted other members of the committee to submit supplementary views not later than today. Inasmuch as I have been extremely busy with other legislative matters, I have not been able to complete my separate views. Therefore, Mr. President, I ask unanimous consent that I may be permitted to file my views and have them printed as a separate document at such time as they are completed. I wish it understood that the granting of the request will not in any manner interfere with action on the bill if my separate views are not in print at the time the bill comes before the Senate for action. I shall not ask for any delay. I have discussed the matter with the Senator from Connecticut, and he has no objection.

Mr. KNOWLAND. Mr. President, reserving the right to object—and I shall not object—I understand that while the Senator desires permission to file his minority views without putting on them the time limit of today, which was the date set in the unanimous-consent request of yesterday, he will not ask that the consideration of the bill be in any way delayed.

Mr. MURRAY. That is absolutely correct.

Mr. KNOWLAND. Because this is a slightly unusual procedure, may I assume that the views of the Senator will be filed within the next week or 10 days?

Mr. MURRAY. Yes.

Mr. KNOWLAND. I do not think it should be completely open ended.

Mr. MURRAY. That is correct.

Mr. KNOWLAND. Would the Senator be willing to file his views within a week?

Mr. MURRAY. Between now and next Monday.

Mr. KNOWLAND. With that understanding, I have no objection.

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

A STANDING LEGISLATIVE COMMITTEE FOR INDEPENDENT BUSINESS

Mr. DOUGLAS. Mr. President, will the Senator from Iowa yield?

Mr. HICKENLOOPER. I yield, with the understanding that I do not thereby lose the floor.

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

Mr. DOUGLAS. Mr. President, I believe the time has arrived when the Senate must come to an immediate decision. We must show by our actions a definite determination that the Members of the Senate are alarmed at the increasingly serious plight of independent business in this Nation, and that the Senate will act and act now to protect this important segment of our economy.

The test of our sincerity is at hand. There is pending in the Senate, before the Rules Committee, Senate Resolution 213 which provides standing committee status for the present special Small Business Committee. If passed this would permit the committee to report legislation to the Senate.

I am honored to join with 49 other Senators in full support and sponsorship of the Resolution.

I concur wholeheartedly in the splendid statement made by the chairman of the Small Business Committee at the time of the introduction of this resolution February 16, 1954, when he said:

> During the past 4 years the Select Committee on Small Business has been on trial. I feel that it has served its apprenticeship and should now be reconstituted as a standing committee.

There should be no question in the minds of the Senate as to the justification for action on Senate Resolution 213. Recent statistics compiled by the Senate Small Business Committee disclose that 9 out of every 10 retail, wholesale, and service establishments are independent businesses, 7 out of every 10 employees in retail, wholesale, and service trade are employed by independent businesses. Are these to be destroyed or reduced—thus adding to vacant stores and greater unemployment?

I am sure, Mr. President, of the valuable work which has been accomplished by this committee during its short history and the preceding committees of small business in the Senate. In no small degree their actions have been a deterrent to many planned actions by large corporate interests which would destroy the business life of over 4½ million small business institutions.

Let me call to the Senate's attention that it will be found from the record and to the credit of the National Federation of Independent Business, a group which I believe is truly representative of Nation's small business, that it has conducted a direct nationwide vote of its members on the issue of Senate Resolution 213. In this poll, which reached over 100,000 independent business and professional men, the federation presented the proposition for a standing committee of small business in the Senate. The result of this poll showed 87 percent of the members were for the proposition, 9 percent against, and 4 percent not voting. I understand that all Members of Congress have been advised of the result of this nationwide poll. Mr. President, the Members of the Senate should not overlook the fact that it comes from the "grass roots" which is the heart of the economy of this Nation.

The National Federation of Independent Business, through its executive vice president, George J. Burger, has also urged, at the respective national conventions of both the Democratic and Republican Parties in appearances before the platform committees in 1948 and 1952, that the small business committees of the Congress be made standing committees. Were this to be done, small business would be placed on a parity with all other segments in our economy such as labor, farm groups, and others.

It is significant to note that when it comes to both labor and farm groups, these segments of our economy are recognized in the Congress through standing committees with power to report legislation, and are not relegated to a subcommittee of a standing committee. Thus small business is not asking for any special consideration when they ask the Senate to give the same recognition to the independent businesses of this Nation.

We should recognize that the Senate, through the operation of this committee, has alerted all Federal agencies to the problems of small business. As a result, these Federal agencies became more active on these problems. I may add further, Mr. President, that the invaluable action of our Select Committee on Small Business has been very helpful as a deterrent to ever-increasing monopoly and concentration in our overall economy.

What are we to tell our independent businesses throughout the many States when we return home this summer? They will ask what happened to the small-business committee resolution which provided standing committee status for the committee. Are we to tell them that although this resolution has been pending in the Rules Committee since February 16, 1954, and although 49 Senators were in full support of that resolution, the Rules Committee did not conclude it was important enough to act on, but instead let it wither on the vine?

I wonder what small business of the Nation will say if we have to make such a report when we journey back to our home States. Such action, Mr. President, would show a regrettable lack of willingness on the part of the Senate of the United States to act in the best interests of small business. It will result in our offering mere lip service instead of substantial action to protect small business of the Nation.

Destroy the independent businessman, and we end up in greater and greater concentration of industry.

When one reviews the history of the regimes of Hitler, Mussolini, Stalin, and in fact most European nations, we find that when independent business is destroyed, it almost certainly ends up in dictatorship.

I make the plea, Mr. President, that the Senate take immediate action on Senate Resolution 213, and let us give the message to the small businessmen of the Nation that we are going to make certain that they remain an important major part of our economy.

ORDER FOR RECESS

Mr. KNOWLAND. Mr. President, will the Senator from Iowa yield?

Mr. HICKENLOOPER. I yield, with the understanding that I do not thereby lose the floor.

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

Mr. KNOWLAND. Mr. President, I ask unanimous consent that when the Senate complete its labors this evening,

it stand in recess until 12 o'clock noon tomorrow.

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

REVISION OF THE ATOMIC ENERGY ACT OF 1946

The Senate resumed the consideration of the bill (S. 3690) to amend the Atomic Energy Act of 1946, as amended, and for other purposes.

Mr. HICKENLOOPER. Mr. President, S. 3690, and its companion bill, H. R. 9757, represent the first major revison of the Aatomic Energy Act of 1946. Heretofore amendments in the nature of corrections or improvements in the original legislation have been adopted, but as time has gone on the development of the atomic-energy program has been such that, in the opinion of the joint committee and of the Atomic Energy Commission and of public and private groups generally, revision of the act of 1946 is desirable and in fact essential in the national interest. Indeed, the original act, as passed in 1946, contemplated that such changes from time to time would be indicated as we learned more about the program and as the practical uses for atomic energy became increasingly apparent.

The Atomic Energy Act of 1946 was passed after months of study of the problem by a special Senate committee established under Senate Resolution 179 of the 79th Congress, second session. At that time it was impossible to evaluate the possibilities of the utilization of atomic energy because of the novelty of the development and the lack of any experience in peacetime uses.

Due to the fact that in 1946 the proven practical use was almost entirely in the field of weapons, although the envisioned peacetime uses seemed limitless, it was considered necessary to establish, for the time being, a strict Government monopoly and control over the use and application of atomic knowledge. At that time the United States had exclusive possession of all of the data that had been developed. Other nations, notably Great Britain and Canada, had through their scientists made substantial contribution to the development of this program, but they did not possess all of the information. Also at that time we were the exclusive possessors of atomic weapons, and we undertook not only a stewardship of the weapons, but also of the information on their production and development as a force which could maintain peace and prevent, for as long a time as possible, any other nation with predatory intentions from securing the know-how and threatening the security of the world.

In the original act, as pointed out above, it was contemplated our objectives would eventually be to open up as rapidly as possible the opportunities for private initiative to develop peacetime phases of this science, and that as rapidly as possible the Government monopoly, except in the weapon field, would be abandoned and free enterprise in this country and abroad would be given the opportunity to attack the problems of peacetime development.

We did not retain our exclusive knowledge in atomic energy for very long. At no time did we assume that no other nation would ever succeed in making atomic weapons or in developing atomic knowledge independently, but we learned all too soon that traitors and spies had disclosed much of our fundamental information to the Kremlin which enabled Russian scientists, with the essential cooperation of German scientists who had been taken to Russia after World War II, to make atomic weapons several years earlier than under their own independent efforts.

In addition, British scientists and science, having contributed substantially to our own development program, were able to go forward with their own program and make atomic weapons. This, of course, is no surprise because of the recognized high degree of competence and development of British scientists and British science. Canada, while apparently electing not to accentuate the weapon phase of atomic energy, nevertheless has done important work in research and development pointed toward peacetime applications.

So that I may not be misunderstood, I want to emphasize that while the United States devoted vast amounts of money and effort toward the development of weapons, we have devoted a very substantial portion of our effort toward research and the development of peacetime uses in the fields of biology and medicine and industrial applications; in fact, many times the effort in these fields of all other countries of the world put together. So, again, I want to make it clear that our military research and development has not excluded the research and development in the humanitarian and economic fields.

We still possess vast superiority in weapon power, in spite of the fact that other nations can make atomic weapons. By the same token there is no doubt in my mind when I say that we also are more advanced than any other nation in the exploration and knowledge of the peacetime possibilities of atomic use.

So far as weapons are concerned, 8 years ago, they were considered to be only strategic weapons, to be used at long range and against limited strategic targets. Today, the concept has altered substantially and while the strategic use is still one of the most important, the practical tactical use of atomic weapons in support of the operation of ground forces is an important part of our military plan. Indeed, today we have atomic weapons of varying degrees of power and effect in our arsenal, which are available for use both tactically and strategically, and we have developed the means for their delivery.

Also 8 years ago the prospects of useful atomic power for the production of electricity in all of its varied uses seemed to be very remote indeed. The problems of military security and the vast expense involved in experimentation then were practical deterrents for private investment. Today, however, the use of atomic power in the economy of this country and in other countries is much more clearly envisioned. While competitive power probably will not be a reality for a number of years, even with the advanced knowledge which we now possess, nevertheless, we believe that the time has come when the way to reduced costs has probably been pointed out sufficiently to justify private investment and experimentation with reasonable chances—in fact, I think I may be safe in saying with practical certainty—that the genius of private enterprise and free competition can develop economically sound competitive power plants much sooner than was earlier considered possible.

The Joint Committee on Atomic Energy has, as directed in the original act, maintained constant studies of the entire program. This committee has unique powers and authority for access to information and has assumed a great responsibility to the other Members of the Congress and to the American people. This responsibility has been accentuated because of the essential secrecy involved in the program. It has been my privilege, along with the junior Senator from Colorado [Mr. MILLIKIN], the senior Senator from Colorado [Mr. JOHNSON], and the Senator from Georgia [Mr. RUSSELL], to serve on this committee, and on the special committee which reported the original act, at all times since late 1945. Representatives COLE of New York, DURHAM, HINSHAW, HOLIFIELD, VAN ZANDT, and PRICE have likewise served continuously on the joint committee since its creation. The other members of the joint committee have served for substantial periods. I would be remiss in my statement to the Congress if I did not say that this committee has been free from partisan political motivation in the discharge of its responsibilities, and while the partisan membership has altered slightly from time to time, nevertheless, I can envision no situation where unpartisanship and nonpartisanship have been more in evidence than in the 8 years' history of the joint committee's operations.

In this bill, S. 3690, and its companion bill, H. R. 9757, there are at the present time certain areas of disagreement which are set forth in the dissenting views of various members of the committee. It no doubt is a practical impossibility to get complete agreement on every sentence, paragraph, and section of a bill of such complexity as the Atomic Energy Act, but I assure my colleagues that any views of individual members are presented with the utmost impartiality so far as any partisan influences may be concerned, and they express their own views as they see them in the broad public interest.

With respect to the names of Members of Congress who have served continuously on the Joint Committee on Atomic Energy, to which I made reference a moment ago, I wish to say that while the distinguished senior Senator from California [Mr. KNOWLAND] did not enter the Senate until 2 or 3 months after the committee began to function, he has, nevertheless, served continuously on the committee since he entered the Senate, and so, for all practical purposes, should be included in the list of Members who have continuously served on the joint committee.

Under all the circumstances and as a result of the years of experience and developing of information which has come to the joint committee, the committee concluded last year that the time had come when a comprehensive revision of the basic Atomic Energy Act should be undertaken. Accordingly hearings were held throughout the latter part of last year and for over 3 months of this year. For many weeks past the committee has taken the results of these hearings and its accumulated information, and has worked long and diligently in attempting to perfect S. 3690 and H. R. 9757, the bill which is before us today.

The basic aim of S. 3690 endeavors to bring the Atomic Energy Act of 1946 into harmony with the realities of 1954. It endeavors to keep our legislative controls over atomic energy in step with the changing problems our Nation faces in this field—problems not only in the realm of science and technology but in the realm of economics and international political relations as well. It protects our vital military secrets but it proposes to open the opportunities for peacetime uses to our own people as well as to others.

The members of the joint committee have not been alone in believing that a revision of the organic law is now desirable. On February 17, President Eisenhower submitted to the Congress a series of recommendations for amending the Atomic Energy Act of 1946. His message said that the changes proposed by the executive branch had the "purpose of strengthening the defense and economy of the United States and of the free world." Toward this end, the President sought to accomplish the following:

First, widened cooperation with our allies in certain atomic energy matters;

Second, improved procedures for the control and dissemination of atomic energy information; and

Third, encouragement of broadened participation in the development of peacetime uses of atomic energy in the United States.

The bill now before the Senate will achieve these three objectives set forth in the President's message. In addition, the bill is designed to effect an overall modernization of the organic law, changing it wherever the members of the joint committee—who have been in daily touch with our atomic program since 1947—have concluded that revisions would advantage our Nation.

In response to the first recommendation in the President's message—increased cooperation with our allies in certain atomic matters—the bill permits such cooperation in both the peacetime and military fields, under carefully stipulated safeguards. On the peacetime side, it authorizes the negotiation of bilateral agreements for cooperation. Under such agreements, the Commission may transfer and exchange restricted data dealing with nonmilitary uses of atomic energy with other nations. The Commission may likewise transfer atomic materials in quantities needed for peacetime uses to another nation which is party to such an agreement for cooperation.

Furthermore, this legislation authorizes the President to enter into international arrangements with a group of nations toward the end of atomic cooperation in the peacetime field, and subsequently to cooperate with such a group of nations pursuant to agreements for cooperation. In this manner, the bill would permit our Government to join in a peacetime international atomic pool plan, such as the President described in his United Nations speech last December 8.

In the area of military applications, the legislation permits the Department of Defense to give another nation, or a regional defense organization to which we are a party, sharply circumscribed restricted data concerning the tactical employment of atomic weapons. The legislation would thereby permit more realistic defense planning among the NATO forces. This bill does not authorize any exchange of information which would reveal important data on the design or fabrication of the nuclear part of atomic weapons, nor does it permit the disclosure of detailed engineering information on other sensitive parts of our weapons.

I believe it is accurate to say that no portion of S. 3690 has received—and rightly so—closer committee attention than those sections dealing with international cooperation. Experience teaches that whenever some particular safeguard against the disclosure of classified information to another nation proves unnecessary, it can always be relaxed. Contrariwise, the act of surrendering exclusive control of some item of information is final, and we cannot call back these data, even if we would subsequently wish to. As a result the joint committee has been cautious in the extreme in its approach to this portion of the bill, and it has recommended carefully delineated changes only in those instances where the need and desirability for increased international cooperation have appeared clear and demonstrable.

In response to the second recommendation of the President—improved procedures for the control and dissemination of atomic information—S. 3690 incorporates a series of revisions which, I believe, will increase the total effectiveness of our program for safeguarding sensitive atomic data.

Presently, all personnel of the Atomic Energy Commission or its contractors who have access to restricted data are given the same background check as to their character, associations, and loyalty—whether such employees have access to large quantities of extremely sensitive information, or whether they require access to only a small quantity of relatively insensitive data. S. 3690 would permit the Atomic Energy Commission to relate the scope of background investigations to the amount and sensitivity of the data which an employee would receive while on the job—thus allowing our investigative agencies to concentrate their efforts on the areas where extremely painstaking checks are most vital. Presently also, much restricted data relates to the military untilization of atomic weapons. Nothwithstanding this, the Atomic Energy Commission is responsible for the control of all restricted data. S. 3690 gives the Department of Defense a larger share of responsibility in both safeguarding and declassifying data which relates primarily to the military utilization of atomic weapons.

It is my conviction that the information-control procedures recommended in S. 3690 do not represent an actual weakening of our security system. I believe, in fact, that the very opposite is true. By revising these procedures in the light of 8 years of experience, S. 3690 should afford our Nation more effective guaranties against the disclosure of sensitive data than it now possesses.

In response to the third recommendation of the President—encouraging broadened participation in the domestic development of peacetime atomic energy—the pending bill authorizes private persons to possess and use special nuclear materials, and to own and operate atomic reactors capable of producing or utilizing such materials. Title to such materials, however, would be retained by the United States Government.

Overall, the Atomic Energy Commission and its contractors have already done a good job in pressing toward economical atomic power. Indeed, it is only because of their impressive achievements that we can now look forward to such power in the relatively near future. But as the Atomic Energy Commission has itself maintained, research and development carried on purely under governmental auspices will no longer suffice to enable us to achieve practical peacetime power at the earliest possible date. Optimum progress now requires that governmental research and development, using the public's money, be supplemented by private research and development, using private money. S. 3690 would encourage such increased private participation in the atomic power field.

Realizing that relatively few companies may participate in this effort during the next few years, the joint committee has exhaustively explored the question of how to guard against the dangers of restrictive patent practices. The majority of the committee has recommended that, in the case of all such patents which are applied for during the next 5 years, the holders of patents or inventions primarily related to peacetime uses of atomic energy be required to license such patents to others in return for just compensation.

In making its recommendations on the subject of peacetime power development, the joint committee has been keenly aware of its responsibility to write legislation which will benefit all the American people, and which will not permit one group of Americans to benefit unduly at the expense of the rest of our national community. I sincerely believe that the proposed legislation will accomplish that purpose.

Taken in its entirety, S. 3690 is a complicated and highly technical bill. It is complex because the problems we face in atomic energy are complex. Notwithstanding that fact, the basic philosophy which motivated the joint committee

in its consideration of the proposed legislation is straightforward and easy to describe. Our guiding principle has been this: Which type of legislation will best promote the security and the well-being of our Republic? We do not expect every Member of the Senate to agree with every single provision of the pending bill. During the course of our deliberations on the bill, I believe that every member of the joint committee at one time yielded on some specific point or another. Yet none of us has compromised on fundamentals, and I think the fact that the committee has come into substantial accord on the essentials of the proposed legislation speaks well for it.

S. 3690 does not pretend to represent the final answer to the unfolding problems of atomic energy. Just as I believe the original Atomic Energy Act is now in need of revision, so also would the proposed legislation now before the Senate require subsequent revision from time to time.

I cannot close my remarks without repeating the warning contained in the report accompanying S. 3690. No legislation, no matter how carefully drafted, can itself guarantee our Nation a flourishing atomic-energy program. There is no legislative substitute for wise administration of our atomic enterprise, for continuing support of the objectives of our program in the Congress, and for an enlightened public opinion in atomic matters.

Up to now, the elementary requirements of survival have forced our Nation to concentrate on military applications of the atom. We must still give top priority to strengthening our atomic arsenal. Yet the time is now at hand when we can prudently afford to increase our work on beneficent applications of the atom, thereby bringing closer the day when our countrymen and like-minded peoples throughout the world can realize the true promise of atomic energy.

I know it is the deepest hope of every Member of this body that the time will come—even though perhaps only our children, or their children, will live to see it—in which the awesome force of the split atom can and will be used solely to elevate the dignity of man.

Mr. President, I further call the attention of the Senate to the fact that on last Friday the two volumes of the hearings of the Joint Committee on this subject were delivered to the Senate, and copies were made available to each Member of the Senate, together with the report of the joint committee on the bill and the dissenting views of about, I think, four Members on various portions of the bill. That report is on the desks of the Members of the Senate. Both the hearings and the report contain a great deal of information, which may answer many questions which may be in the minds of Senators. As the debate proceeds, I hope that either I or other Members of the Joint Committee who may be present may be able to give the answers to any questions which may occur to Senators concerning the various provisions of the bill.

Mr. GOLDWATER. Mr. President——

The PRESIDING OFFICER (Mr. UPTON in the chair). The Senator from Arizona is recognized.

Mr. GOLDWATER. Mr. President, for the past several days I have listened to a great deal of debate on the floor of the Senate, and have had called to my attention several news articles and editorials in connection with the President's recent action in instructing the Atomic Energy Commission to contract with a group of privately financed electric companies for some 600,000 kilowatts of capacity.

I do not pose as an expert on electric power system operations, nor have I been a close student of the Tennessee Valley Authority. I shall not take up the time of the Senate by arguing the relative merits of a contract with either the privately financed utilities or TVA for atomic energy power requirements, and I shall not attempt to analyze TVA's future power requirements. At the same time, however, I am not at all sure that those criticizing the President's action are power experts, either, or that they have any first-hand knowledge of TVA's future requirements.

There is one thing of which I am certain, though: The critics have made many statements which I cannot accept either as a businessman or as a Member of the United States Senate interested in a sound administration program.

At the outset, my mind goes back to the election campaign of 1952, at which time I told the people of my State of Arizona that the question of States' rights and private enterprise versus Federal supremacy was one which was ultimately going to have to be resolved by the citizens of this country in order that we might ascertain the future pattern of our National Government. I do not believe that this issue is going to be the all-important one in the campaign of 1954, and I do not think that it will necessarily be the overriding question in the campaign of 1956. Yet, sooner or later, Mr. President, this issue is going to rise to its singular significance, and the choice that is made by the American people will determine the future course of the great republican form of government which is ours.

At this point my mind goes back also to several months ago, when this body was considering proposed changes in the National Labor-Management Relations Act. At that time, in speaking here on the floor for a States rights amendment to that law, I pointed out, in effect, that the question of these rights was of infinitely greater significance than—and far transcendent to—any considerations of the Taft-Hartley law, as such.

I think, Mr. President, that, in this present connection, the question of the rights of free enterprise can also be measured in a far broader sense than as it is applied to the matter of public versus private power alone. This administration was elected on a pledge to return to the States the rights which, over 20 years of New Deal and Fair Deal administrations, were taken from them by the grasping tentacles of an all-powerful Federal Government. This present administration's policy relative to Federal power is to work with the local interests and to assist them in every way to meet their needs. It is a policy of partnership and cooperation.

Here, Mr. President, I am tempted to digress once more, and to suggest that the whole problem of power is one which is literally "as big as all outdoors," for it goes quite beyond the material, manmade aspects of our civilization, and concerns the qualities of the universe which are God-given, and which, therefore, must be treated with the reverence which is always accorded the Almighty.

Yet, there are those who argue that because electric power is God-given, it should be as free, as water and air are free. Those who say that, do so just because we cannot see electric power and handle it and go down to the store and buy it in a package; but they fail to realize that, despite its essentially celestial origin, it becomes, when it reaches the practical life of a nation, a manufactured product, just as much as a can of beans on a shelf in a grocery store. Electric power is manufactured in a plant designed for that purpose, and with equipment which is constructed and created by private enterprise; and the power is delivered to the consumer over copper wire, instead of in a delivery van.

In the handling of any Divine quality, however, even the hand of man is stayed by the recognition of the fact that we cannot treat lightly or with subversive intent the bountiful blessings which God has bestowed upon us. We cannot act toward them with motives and by means which are antagonistic to the methods and purposes of God.

In accordance with this interpretation, therefore, it is unquestionably the responsibility of the local people, the individual citizens, the separate human beings whom God has created, to provide this adequate power, and not the manmade monstrosity of an all-supreme Federal Government. The Federal Government is at the very best a necessary evil designed to stabilize the goodness in man, and this explains Thomas Jefferson's remark that "the best government is the least government." Indeed, all through the course of our history the American people have been guided by this principle, as enunciated by Abraham Lincoln—namely, that the Federal Government should not attempt to do anything for the individual citizens or for the States which the individual citizens and the States can best do for themselves.

This is the principle which has been set forth by this Republican administration. This is the principle which was spelled out time and time again by President Eisenhower and other Republican candidates. It is the principle by which this administration must stand, if it is to remain true to its own convictions and if it is to keep faith with the American people.

Mr. GORE. Mr. President, will the Senator from Arizona yield?

Mr. GOLDWATER. I am glad to yield.

Mr. GORE. I was very much interested in the quotation from Abraham Lincoln the Senator from Arizona has just given. Will he repeat it?

Mr. GOLDWATER. Abraham Lincoln said, in effect—I did not quote him verbatim—that the Federal Government should not attempt to do anything for the individual citizens or for the States which the individual citizens and the States could best do for themselves.

Mr. GORE. Is the able Senator from Arizona aware that there exists in United States history any precedent whereby the Federal Government reimbursed a private company for all its tax payments—municipal, county, State, Federal, excise, ad valorem, and income?

Mr. GOLDWATER. I am not acquainted with any situation of this sort, other than the one I intend to discuss.

Mr. GORE. I should like to inform the Senator from Arizona that I have had the legal section of the Congressional Library search the records, and they are unable to find such a precedent. I have asked the office of the Comptroller General whether they know of any precedent of that sort, but they know of none. Yet General Nichols testified before the Joint Committee that the Atomic Energy Commission proposed to pay the taxes, whatever they might be, however high they might be assessed, or of whatever nature they might be, for or on behalf of this company, or to reimburse the company for such taxes.

On the basis of all the authorities I can find, it seems to me that such a course would be unprecedented in United States history, and it seems to me it would constitute a very dangerous precedent.

Mr. GOLDWATER. I would agree with the Senator from Tennessee if I felt that the substance of the remarks of General Nichols had been correctly quoted. I have not read the hearings, but I have read reports regarding that particular statement. He referred to the fact that this company during its lifetime would, by means of the collection of rates and moneys, have the funds with which to pay the taxes.

Mr. GORE. Mr. President, if the Senator from Arizona will yield a little later, as soon as I find the testimony of General Nichols, I shall be glad to read it.

Mr. GOLDWATER. I shall be very happy to yield.

Mr. President, it is no more appropriate for the Federal Government to assume responsibilities for supplying the power needs of an area than it is for it to assume the responsibility for supplying drinking water, sewage service, police protection, or even transportation. Yet these are all necessary utilities, just as electric power is. They can be, however—and they should be—supplied locally. Our object, the object of this administration, is to let the people decide. That is the course of Republican government.

Mr. President, the Federal Government is in the power business, in keeping with the laws of Congress, simply and only as a byproduct of flood control, navigation, reclamation, and so forth. For being in this power business, in which the Federal Government, greatly extended, now finds itself, however, there is nowhere in our Constitution or in the laws of our land, expressed or implied, authority for the Federal Government to compete with private enterprise, which is the very lifeblood of a free economy.

This proposal by the administration has stirred the aggressive impulses of those who seemingly oppose all free enterprise and have consistently stood for Federal control and domination of our business institutions, whatever they may be. A great hue and cry are being raised from some quarters that the TVA is being undermined and that the sole purpose of the President's order is to maim the great Federal project upon which vast sums of money and energy have already been expended. The misinterpretation and misunderstanding of these critics could not be greater. It is a deliberate misconstruction in the interest of those who would make further strides toward the socialization of our country's Government and industries.

These opponents are crying, Mr. President, because they see a project, in which the Federal Government has over the years assumed a vested interest, now threatening to revert to its proper place in our economic system. Indeed, I think this, above all else, has been and is the great tragedy of TVA. It was an enormous project undertaken by the Government, in a time of crisis, to provide jobs, to stimulate the economy, and to bolster the energies of our people, whereby they would be enabled to move forward and to resume their course of free citizenship under an economy devoid of regulations, controls, and Federal restrictions.

Still, today, we find that the lofty purposes of TVA's inception have been discarded in the wake of our gallop to socialized state, industry, and life.

Mr. President, I suppose there will be those who will look with dismay upon a freshman Senator from a far western State who speaks forth so loudly and so severely on a subject which is geographically quite distant from his own immediate interests. Mr. President, my interests are the interests of our country, as well as those of my own State; and certainly I cannot, in my great loyalty to Arizona, blind myself to my even greater loyalty to the freedoms of all our people. If, in this course of rapidly growing centralized Federal power, any State or any region in our country is injured and deprived of the benefits of the free enterprise-States rights principle, then my own State is as intimately affected as though it were the very State wherein this menace first took hold.

It must not be forgotten in any of our deliberations, whether the question concerns labor, farming, public power, taxes, or any other subject affecting American life, that the people still rule; and it is our responsibility as their representatives to see to it that, in exercising the prerogatives of public office, we do not take from them the very rights and privileges which have enabled them to endow us with this great privilege and this high purpose.

In my State of Arizona, we have a project called the Salt River Valley Water Users Association. I like to bring up this fact when I discuss the question of power with my colleagues, inasmuch as some of them may be inclined to ignore my views because they may feel that my lack of experience, either in this body or in the general field of public power, might tend to render my thinking on the subject unreliable. Then, too, my opponents in this particular controversy may feel that my lack of technical knowledge should foreclose me from speaking on this subject which so vitally affects all Americans. I admit, quite frankly, that I am not an expert in this field, and that I am not thoroughly versed in all the complicated technicalities of this particular project. However, I cannot unhesitatingly concede that I am alone in my statistical shortcomings, and that is why I have no particular fear in defending the overriding principle that is involved.

In 1903, the Federal Government, under the Reclamation Act, assisted the Salt River Valley Water Users Association by the construction in Arizona of the Theodore Roosevelt Dam and some canals conducting water to lands irrigated in Maricopa County. It happened that there was a power installation at this development which produced some reasonably cheap power.

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

Mr. GOLDWATER. I am very happy to yield.

Mr. GORE. On page 949, in the second paragraph, I read from the testimony of General Nichols, General Manager of the Atomic Energy Commission:

> The proposal provides for reimbursement by the AEC for all taxes, licenses, and fees, State, local, or Federal; paid or payable by the new corporation during the term of the contract, except that taxes arising out of the use of facilities for purposes other than the supply of capacity and energy to AEC will not be paid by the AEC.

Mr. GOLDWATER. May I ask the Senator if that reduction in taxes would be reflected, or if there is any indication that it would be reflected, in a lowered rate?

Mr. GORE. This is not a reduction of taxes.

Mr. GOLDWATER. The Senator misunderstood my question.

Mr. GORE. It is proposed to reimburse the private contractor for profit, whatever taxes he may pay out.

Mr. GOLDWATER. The Senator misunderstood my question. Is there any statement in the testimony which would indicate that a lower rate would be expected from the private company because of the payment of taxes by the AEC? It is of benefit to the company.

Mr. GORE. I cannot put my hand on it. I think that would surely follow.

Mr. GOLDWATER. I should suspect that that would follow.

Does the Senator have more to read at this time?

Mr. GORE. No.

Mr. GOLDWATER. I thank the Senator.

Because of this, the association became involved in producing and distributing electricity to its members and other users in south central Arizona. At one time, it was the largest producer and distributor of power in Arizona.

As its power requirements increased, it was necessary to build additional dams and some steam plants. The association did not come to Washington asking Uncle Sam to build these dams and steam plants. It floated its own bonds and used the proceeds for this purpose. It also worked out agreements with the private electric company operating facilities adjacent to its own which assisted in the financing.

As of today, there are produced in Arizona for use in Arizona 1,042,000 kilowatts, 605,000 of which are produced by Government agencies, including that of a Federal operation at Hoover, Parker, and Davis Dams on the Colorado River, some of which are sold to privately financed companies, and 437,000 kilowatts produced by the private companies.

Since 1946, the private companies have built or have under construction 420,100 kilowatts of fuel-fired capacity, and Government agencies—and by Government agencies I refer to such agencies as the Salt River Valley Water Users' Association—constructed 97,500 kilowatts of fuel-fired capacity. This expansion has taken place without assistance from Uncle Sam.

Mr. President, I am not an expert, but I am acquainted with what can be done and this is my answer to those who advocate a greater Federal investment in these power projects.

Why is it that the Government power proponents denounce the partnership policy of the present administration? Most of them contend that they favor private enterprise in general, and some even say that they favor permitting privately financed electric companies to construct whatever they are willing and able to do. I think, however, that this is only lipservice, because when the chips are down their actions belie their words.

The partnership arrangement has been working out very well in my State for a good many years. The publicly owned and privately financed utilities have been working together supplying the electric needs of the State. By energy purchase contracts they have assisted one another in financing the expansion of electric facilities. They have a coordinating committee headed by a full-time executive financed by the public and privately owned utilities, whose duty it is to keep constant tab on electric requirements of the State and predict and coordinate future expansion. The Federal, local, and private facilities are fully integrated to supply power to where it is needed and I might add that 98.9 percent of the farms of my State have electric service, which is a good deal better than some of my distinguished opponents can say for their States, with all their Federal monopoly.

We have a State power authority in Arizona only because we were forced to it by Federal Government development. When Hoover Dam was built, Arizona was entitled to a certain amount of the falling water with which to produce electric power, but the State and only the State could obtain this power. Therefore, it was necessary to set up a State authority to obtain it. That authority has been trying to purchase transmission lines owned by the Federal Government in Arizona and has run into opposition to this effort from some of the Federal power proponents. I may say that there are bills pending in both Houses of Congress to purchase these lines for a sum approximating $33 million. Does their obstruction spring from their fear that the Government will reduce its operations and thus delay the day on which all power in this country will be under Government ownership?

On the face of it, they will answer that this is not so; but I repeat, Mr. President, when the chips are down their actions belie their words. The President, by instructing the Atomic Energy Commission to enter into a contract with privately financed electric companies, has been accused of going back on his campaign promise to keep the Tennessee Valley Authority operating at maximum efficiency. In fact, as I have indicated, to listen to TVA proponents one would think his action was designed to ruin TVA. Actually, it was just the reverse. The action was taken to assist TVA. TVA claimed that, in addition to the steam plants now under construction, it needed several new starts in order to meet its normal load growth. The Congress, in its wisdom, decided on no new starts in steam plants for TVA. No doubt the majority of us believed that it was high time for the people of Tennessee to start standing on their hind legs and make provisions locally for their power requirements just as the rest of the country had to do.

Since the Congress refused to appropriate funds for new starts, the President came to the rescue of TVA by requiring AEC to procure some of its power requirements elsewhere, thus making available to the Tennessee Valley Authority for other purposes some 600,000 kilowatts now being supplied to the Atomic Energy Commission. How can such action be construed as anything but helpful to TVA?

Yet, this is the argument of the Federal power advocates, and it is more than I can understand; and I must say, Mr. President, that I do not attribute my lack of understanding on this phase of the problem at least, to any deficiencies in my own technical understanding of great public power problems. It is a simple matter of logic and the argument of the Federal power advocates fails to meet its requirements.

Statements have been made both publicly and before congressional committees by members of the TVA staff and other proponents of TVA that a large portion of TVA's power was being taken by the AEC and other defense agencies—that TVA had not sought these loads but had been requested by the Government to supply them. The furor now being raised certainly belies any intimation that these people did not want these defense loads. It seems to me as if they want this and all additional AEC or other defense plant loads they can get. In fact, I am not sure but that they have used national emergencies to build up their great Federal power monopoly.

I realize the people of Tennessee are disappointed that some $100 million is going to be spent for a steam plant in Arkansas rather than in Tennessee. It seems that when you get used to eating at the Government trough it is hard to give it up.

Much to do has been made of the fact the privately financed companies propose to build their plant near Memphis, some 200 miles from the AEC plant. They propose to dump their power into the TVA system at Memphis and let TVA deliver it to AEC at Paducah. There is nothing strange about this. TVA wanted to build a steam plant of approximately the same size at Memphis because they needed power at that end of their system, so it is more sensible for the new plant to be built there than to build another plant near Paducah, and have TVA push power from their steam plant near Paducah back into the TVA system and from there down to Memphis, where they claim to need a large block of power. Construction of the plant near Memphis would actually save TVA losses in pushing power from their present generating plants to the Memphis area. In reality this is nothing but a wheeling agreement with TVA doing the wheeling. This is exactly the same arrangement that the Government has been forcing on privately financed electric companies for several years in the southwest, the southeast and elsewhere by threatening to build paralleling, duplicating transmission lines if the companies refused to wheel the power. How anyone can advance the idea that this makes a power broker out of AEC is beyond me. AEC is no more a power broker than an REA cooperative purchasing power that private electric companies wheel from some Federal dam.

Statements that the proposed contract is nothing but a subsidy for the private power firms, and a means by which they can grab greedy profits are clearly semantic distortions indulged in for political spite. Anyone qualified to even discuss this subject knows that private electric companies are highly regulated and allowed to earn only a nominal return on money they invest in facilities. Since when has it been a crime in this country to earn a nominal rental on invested capital or a nominal fee for services rendered? I have always thought that was a very fundamental part of our economic philosophy—of our way of doing business.

A great deal has been said about the additional money a contract with private companies would cost AEC and therefore the Federal Government. Any claim to saving by purchase from TVA is fictitious at best. If TVA paid interest on money it obtains from the Treasury, and taxes—local, State, and Federal—equivalent to those paid by private industry, there would be no saving. I am sure that no one who has had deal-

ings with Government is naive enough to think that, all things being equal, a governmental agency can do business more economically than private industry. TVA engineers may be very competent, but they have no magic means of designing, constructing, or operating steam electric plants or any other power-producing facilities more economically than private industry. I am sure that no branch of Government could operate a business as efficiently as private enterprise. In fact, all things being equal in taxes, interest, and so forth, private enterprise could operate a business at a profit and compete with Government operating one at cost. Of course, if the Government wrote off a large part of the original cost, financed and operated with interest-free money, made only token payments in lieu of local taxes, and paid no Federal taxes, private enterprise might have a hard time competing with them. But I submit that the price at which the Government could sell merchandise under such conditions would offer no yardstick for determining the price private enterprise should charge for merchandise.

It is interesting to note that in comparing rates public power proponents usually compare production rates when the highest cost of supplying electric service to the ultimate consumer is in transmission, distribution, and services. In comparing rates and trying to promote additional authorities I have heard public power proponents compare the TVA wholesale rate with the delivered rate in some other sections of the country, thus leaving the impression that the TVA wholesale rate would be available to the consumers of the other section if only they had an authority. Such a saving would have very little influence on that customer's standard of living. If it is necessary for the Government to do something to subsidize the cost of living—and I do not think it is—I would suggest thinking about the food situation. A 10-percent saving on the grocery bill of the average American family would pay their electric bill in its entirety for a period of from 1 to 2 years. So why be so enthusiastic about shaving the cost of electricity to the consumer when it is already the cheapest thing he is buying? I may say that the percentage that the consumer pays of the cost of all household utilities—gas, oil, coal, and electricity—is a fraction of a point above 3 cents out of each dollar.

The purpose must be a great deal deeper than the average public power proponent either believes or is willing to admit. I cannot forget, however, that if the Government controlled power, it would have an iron grip on industry and even on our domestic life. That is one of the isms I do not want the Government to have.

It has been interesting to note during the debate on this subject that some Democrats from northern industrial areas have championed the TVA position. How anyone from northern industrial areas can advocate using tax funds collected from their constituents to build federally subsidized power facilities in the Tennessee Valley to help them compete on a more favorable basis for northern industries and still think that they are representing the best interests of their constituents is beyond me. The only reason I can see for such action is that they believe in nationalization of the electric industry, and encourage it in the Tennessee Valley with the hope that some day it will be national in scope.

I am afraid that the contract proposed for the AEC between it and the privately owned public utilities is in danger of being mired down in the swamp of TVA politics, if we are to judge by the loose and reckless statements made on the floor of the Senate and in the press during the past several days.

Several other points strike me as particularly significant when the issue between public and private power arises. To me probably the most important one is that the proponents of Government power, and in particular those of Federal power, seem to recognize no intermediate or middle ground. They are just like the adherents to so many of the isms in their adamant stand that theirs is the only way, that all of the private power industry is bad, and that the only good in the electric-power industry can come from Government, and particularly Federal Government power developments.

Furthermore, when Federal power is developed at any of our dams, they want all of it, every kilowatt-hour. They refer to it as a natural resource belonging to all the people, which, therefore, should go only to those purchasing power from governmentally owned and operated distribution systems, which serve less than 20 percent of the people. They are perfectly willing for privately financed companies serving 80 percent of the power users to use temporarily and pay for all of the power Government distributors cannot use, but they want this power sold on temporary or withdrawal contracts, so that the Government-financed distributors can get it when and if they need it.

Some public power proponents cannot understand that we have two ways of getting things done in this country, one by Government and one by business; that both are part and parcel of the people, in fact are the people, and that our present strength lies in the fact that so far we have substantially limited government to doing only those things for the people that they are unable to do for themselves, with its primary function that of governing, leaving the field of free-enterprise activities to private initiative.

If we do not keep government primarily in the field of regulation, but permit it to expand into the field of construction and operation of activities that can and should be free enterprise undertakings, we will drag ourselves down to the economic level of those countries we are now having to use our tax dollars to support.

The trend in the last 20 years toward dependency on Government, especially in the electric-power field, has been at an alarming rate. It should make every one of us who truly believe in our free-enterprise system realize that we as a nation are not immune to deteriorating into a nation controlled by bureaucracy which is an ism of one kind or another, but in reality all the same.

One of the most ferocious fallacies forced upon us by the Government power advocates is that all we need is cheap power to promote industry. As a matter of fact, the ratio of cost of power to cost of the end product in the average industry in the United States is less than 1 percent. A few industries such as aluminum, magnesium, some of the chemicals, and other electrometallurgical operations are large power users, and power does influence the cost of the end product. These industries are not necessarily desirable for promoting the industrial welfare of an area in that they use a very high number of kilowatt-hours per man-hour of employment. An area would be much better off with smaller diversified industries using a larger amount of employment to consume their electricity. The average industry is interested in an adequate dependable power supply but the cost of power has a very minute influence on location of the average American industry.

While talking about the influence of power on the location of industry, one thing that always amuses me is that Government power proponents seem to think it is a terrible thing for a privately financed power company to receive power from a Federal development and distribute it at a regulated profit, yet these same people try to influence industries whose profits are not regulated into Government power areas, using as a promotion feature the availability of cheap power. As a matter of fact, they advance industry needs as an argument for promoting additional Government power. Now what kind of reasoning makes it a sin for a privately financed industry, whose earnings are regulated to handle Federal power and at the same time a virtue for industries whose profits are unregulated, to receive benefit of federally subsidized power rates?

We are told that the subsidized rates at Government power developments have forced investor-owned companies to lower their rates. A little research will quickly show that the selling price of electric energy has been decreasing ever since the industry was established and that the decline was more rapid prior to the advent of TVA and other public-power developments than it has been since that time. Electric power is about the cheapest thing in our family or industrial budget today. It is the only thing I know of that a 1953 dollar will buy more of than did a 1939 dollar. It is not the influence of Government competition that has resulted in these rate decreases, because rates have decreased proportionately in sections of the country that could not possibly have been influenced by Government power. The utilities have been able to reduce rates through engineering achievements, improvements in operations, and well directed sales efforts.

Another thing that has been interesting yet frightening to me has been to watch the public-power proponents' use of flood control, navigation, and the

war effort to increase public-power operations. In the beginning flood control and navigation were the primary objectives and power was considered only a byproduct. Today we have built and are building hydroelectric projects that are in reality power developments only; we have TVA building steam plants to the extent that within the next year or two their ratio between steam and hydroelectric facilities will be approximately 60 percent steam and 40 percent hydro. And projected into the future, the ratio for steam will be ever-increasing as the hydroelectric potential of the area has been virtually exhausted. We have reports from Federal bureaus contemplating construction of forty-odd steam plants in the Missouri Valley area. We have had requests in the Congress for steam-plant construction in the Southwestern Power Administration area, and when this was refused a connivance between the SWPA and REA where REA funds were used for the construction of steam plants in that area. We have public power proponents objecting to privately financed industry building dams at the Hells Canyon site in Idaho and power facilities at the Niagara site in New York, neither of which has flood control, navigation, or irrigation benefits, but are entirely power developments.

I doubt that there would have been very many votes in Congress for the Tennessee Valley Authority Act if it had been known then that TVA was to be turned into a large Federal power monopoly; in fact the only large power monopoly that exists in the United States today. It was sold to the people as a navigation and flood-control development during a time of economic distress, as a worthwhile make-work project, but it has turned out to be essentially an electric power monopoly. What value does it have as a flood-control project? It has permanently inundated more rich valley land than was ever subjected to infrequent floods prior to its existence. The city of Chattanooga is still not adequately protected from floods, and the Army engineers have not reduced their expenditures for flood protection one iota on the Mississippi River because of facilities provided by TVA. From the standpoint of navigation, according to the Army engineers, adequate navigation facilities could have been provided for a small fraction of the cost that has gone into TVA. I suspect that the increase in river traffic TVA boasts about is largely due to TVA's own activities in hauling construction materials for new construction and coal for its steam generating plants. In my opinion TVA was conceived in the minds of socialistic planners, born in a period of economic distress and nurtured and expanded in deceit. Its greatest achievement to date has been in spreading propaganda—with Federal tax funds, of course—eulogizing its accomplishments.

I noticed in the CONGRESSIONAL RECORD of yesterday that during a colloquy which occurred in the Senate some reference was made to socialism. A man who is, I believe, an eminent authority on socialism, Mr. Norman Thomas, stated, in connection with TVA, in the Chattanooga Times of February 15, 1935:

> TVA is the only genuine socialistic act of the New Deal, a flower in the midst of weeds.

Mr. GORE. Mr. President, will the Senator from Arizona yield?

Mr. GOLDWATER. I yield.

Mr. GORE. Not even Norman Thomas called it creeping socialism.

Mr. GOLDWATER. He called it by its full name. He did not say "creeping socialism" or "galloping socialism." He called it socialism.

The same gentleman said, in 1944:

> The TVA exemplifies what socialism might be and the technique it would use in the process.

So said Mr. Norman Thomas who is, I think, the best expert on socialism in the country and who commented on the subject which I am discussing.

When private utilities attempt to develop a water resource for hydroelectric power the public power proponents immediately set up the cry of "give-away" of a natural resource. To listen to this wail one would think that the Government was giving away the water, that this private industry was depriving the people of the use of it. The accusation is made that a great natural resource belonging to all the people is taken from them and exploited by greedy individuals for exorbitant profit. People making such accusations know better than that. In the first place the water is not given away and none of it is consumed or sold as such. The power company simply gets the rights to spend its money in building facilities to utilize the water temporarily for producing electricity and then turns the water back into the stream. The private company cannot capitalize as an asset the value of this water. All it can do is earn a regulated nominal return on the capital invested to provide the facilities. If it makes any savings in cost which increase its earnings above the amount allowed by law, the savings must be passed on to the ultimate consumer in the form of rate reductions. What is the difference between using the water as an unexpendable fuel and using coal, oil, or gas which are also natural resources, as expendable fuels? The only thing I can see is that it deprives the Government power proponents of the opportunity of producing power at the particular site under the guise of flood control, navigation, or some other recognized public undertaking.

The tax situation is a much discussed issue in debate on public versus private power. Public power operations pay no taxes. Some of them make token payments in lieu of taxes to State and local government, but no contribution to the Federal Government. TVA is a good example of this. When it makes payments to State and local governments in lieu of taxes it publicizes a statement to the effect that its payment is more than was paid by the owners of the land acquired by TVA and the private electric utility companies when they were operating in the area, which has been 15 or more years ago. This statement is obviously intended to infer that the State and local governments are better off taxwise than they would have been without TVA. Such a statement is ridiculous on the face of it. In the first place, well over a billion dollars has been invested in expanding the properties since TVA took them over, and certainly taxes have greatly increased since 1939. So, had private industry invested these monies in power facilities in the area, under present tax conditions they would certainly be paying many times the taxes they were at the time TVA took over the properties.

I should like to comment at this point that anything in the budget of the United States or in any of the statements issued in Washington concerning the financial condition of TVA reminds me of a word which the late Maury Maverick originated—"gobbledygook"—in reference to confusing words which did not mean much to him. I should like to point out that the financial statements of the Federal Government in relation to some of its agencies might be called "gobbledyaudit," because it is almost impossible to find out where the money comes from. I am saying that with reference to some remarks I wish to make on taxes.

In fiscal 1952 TVA made payments in lieu of taxes of $3,036,000. Its distributors for the same period made payments of $4,672,000, or a total of $7,708,000. This is based on a net plant investment of $1,116,681,000. During this same period the Southern Bell Telephone and Telegraph Co., with a net plant investment of $898,653,000, operating in approximately the same territory, paid Federal, State, and local taxes in the amount of $67,734,387. If TVA and its distributors had paid taxes at the same rate as Southern Bell, they would have paid $35,734,000 in State and local taxes and $48,464,000 in Federal taxes, or a total of $84,198,000—about 11 times what they actually paid.

Another statement the public power proponents make is that privately financed utilities pay no taxes, that they just act as a tax collector charging taxes to the consumers. Where does anyone get money to pay taxes except from the ultimate consumer of the goods they sell or the services they render?

That is one of the fallacies of all taxing bodies. They assume they are going to relieve the taxing power. But the ultimate payer of all the costs of government is the consumer. We are not fooling anybody but ourselves when we say anything to the contrary. The merchant passes on taxes to the consumer, the doctor passes on taxes to the patient, and the lawyer passes on taxes to the people whom he serves.

TVA pays no interest whatsoever on money advanced by the Federal Government for constructing its facilities. It has been paying interest at less than cost to the Federal Treasury on bonds it issued in the amount of $65,072,000 for purchase of private electric facilities, of which there is now $14 million still outstanding. It pays no interest during construction, and it now has several hundred million dollars of steam plants under construction.

The Natural Resources Department of the National Chamber of Commerce issued a report this year entitled "The Countinuing Cost of TVA." This report was prepared by C. J. Green, a retired engineer-accountant, who served 20 years with the Federal Power Commission, and David J. Guy, now retired, who was formerly manager of the Natural Resources Department of the Chamber of Commerce of the United States. This was the second report that these two men had prepared for the National Chamber and was based on a careful study and analysis of TVA's operations since its inception. Both men are highly competent engineers, thoroughly qualified to analyze the operations and prepare such a report. Their conclusion was that TVA was not paying its way and that if it was put on a basis of operation comparable to that of the private electric industry, it would have to approximately double its present wholesale rates in order to pay its way.

It is also interesting to note that the Government power proponents are the ones raising the biggest objection to broadening AEC legislation to permit private industry to participate with AEC in developing atomic energy for peaceful purposes. Can it be that they think atomic energy may be a future low-cost method of producing electric power and want only the Government to develop this electric power so as to further inject the Government into this field? The argument that the Government did the development work which made atomic energy possible and therefore should not release this information for use by private industry makes no better sense than to say that farmers should not be permitted to use hybrid corn seed and increase their yield and in turn their profits from same because it was developed by the Government, or to make any number of other similar comparisons.

The Government has spent or has authorized for expenditures, close to $2 billion for TVA and has spent several billion dollars in the atomic energy plants at Oak Ridge and Paducah. No area could keep from gaining somewhat from such tremendous Federal expenditures. However, TVA has not improved economically as well as some of its neighboring States. For example, in comparison with its 10 neighbors, the scoreboard shows:

In population Tennessee stood fourth in 1930 and fourth in 1950.

In postal receipts Tennessee stood third in 1933 and fourth in 1951.

In cash receipts from farming it stood fifth in 1933, eighth in 1950.

In new business incorporations Tennessee stood fifth in 1946, fifth in 1951.

In business volume per capita Tennessee stood fifth in 1939, fifth in 1951.

In payment of wages and salaries Tennessee stood fourth in 1933, fifth in 1951.

In retail sales Tennessee stood first in 1935, fifth in 1948.

In retail-sales payrolls Tennessee stood third in 1935 and fifth in 1948.

In percent of total income taxes paid Tennessee stood sixth in 1933, fifth in 1951.

In addition to the above, whenever unemployment is prevalent in the United States, Tennessee and the Pacific Northwest are usually classified as critical areas. At present several cities in Tennessee and the Pacific Northwest are high on the critical list; yet those are areas high in the power field.

From the above it is hard for me to see how Tennessee has been improved greatly by the advent of TVA. As a matter of fact TVA may offer some detriment to the future economic welfare of the State.

I have answered a part of the absurd argument that TVA is paying its way by discussion of the tax and interest-on-money situation, but we are also told that TVA is paying back the money it gets from the Government for construction of power facilities. TVA has been a full-fledged electric utility for at least the time since it took over the private electric companies, a period of 15 years. The Government has advanced or authorized appropriations to TVA in the amount of $1,900,000,000. TVA, to date, has paid back $82 million. At this rate, it would take the Government several hundred years to get its money back if it stopped advancing money now. But TVA wants more money now—over $100 million—to build a plant near Memphis which private industry is ready to build, besides publicly stating that it expects to request several hundred million dollars each year in the foreseeable future for additional expansion.

The argument that because the Federal power monopoly is owned by the Government, therefore the Government should not be required to pay itself back, is frequently advanced by TVA proponents. The answer is that although it is a federally owned monopoly, it benefits only a small local area which is furnished a subsidized service that other areas of the country provide for themselves without Federal assistance.

It seems that the minute the Federal Government provides some electric power to an area as a byproduct of developments ostensibly intended for flood control, navigation, or other benefits, Government power proponents expect it from that time forward to take on the obligation of supplying all the power requirements of so-called preference customers, preference customers being that privileged minority of 20 percent of the people of this country who receive their electric power from facilities owned and operated by some segment of Government.

What kind of philosophy have we developed in this country when we seize upon the fact that we are fortunate enough to have a development in our area which makes available some low-cost power, although it is always subsidized, in order to be able to argue that the Government has taken on an obligation from then on in perpetuity to continue to supply us with this subsidized power? Of course, keeping the people from wanting additional benefits of this type is something like trying to quarantine Santa Claus.

One of these days the people are going to wake up to the realization that they are the Government and therefore they are Santa Claus. Some day, somehow, somebody will wake up to the fact that the great Federal bureaucracy which has been built up in the last 20 years must be curbed—unless our children and their children are prepared to go into debt for years to come. The time has come, it seems to me, to turn at least a portion of the job over to private enterprise, which is fully prepared and financially qualified to take care of it for the benefit of all the people, because the major risk will be assumed by the contractors, not by the Government; power will be made available in the Memphis area, where it is needed, not at Paducah, where it could become a liability; there will be no windfall to the contractors. The additional charges to the Government will benefit local taxing authorities and taxpayers; there is no significance in the location of the proposed plant 200 miles from the AEC installation. This is simply a method of replacing power that TVA itself has used in supplying AEC needs; interested parties have had ample notice and opportunity to make offers to supply the Government's needs.

The rejected proposal was on a cost-plus-fixed-fee basis involving substantial risk and no satisfactory guarantee to the Government.

The alternative of construction of a steam plant by TVA has consistently been rejected by the Congress.

Mr. President, in closing, I wish to pose one question for the advocates of public power to think about. It has always been one of the basic tenets of the American free-enterprise system that free enterprise should develop the natural resources of the United States. If that is not a true tenet, then I ask, why is not Russia the dominant economic country in this world? She develops all her natural resources. She works her land and her mines, and utilizes her rivers for electric power. Yet Russia is far down the list in the economic scale, while the United States is dominant. I think one of the reasons why our country is dominant is that we have been allowed, as freemen, to develop the Nation's natural resources. Now the administration steps in and says, "We want to do it on a partnership basis. Where a State can afford to do it, the Federal Government will assist it. But the Federal Government will not stand up and say who, what, where, when, and how, with respect to the power which is to be sold.

I apologize for speaking at this time, in view of the lateness of the hour. I wish to thank the members of the staff who have been forced to remain this late, and I also thank my colleagues who have seen fit to remain until this late hour.

Mr. ANDERSON and Mr. KEFAUVER addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Tennessee.

Mr. KEFAUVER. Mr. President, I think the Senator from New Mexico desires to speak very briefly.

Mr. ANDERSON. I expect to take a few minutes.

Mr. KEFAUVER. Will the Senator allow me to proceed for about 3 minutes?

Mr. ANDERSON. I yield.

Mr. KEFAUVER. Mr. President, during the last few days, I have talked with a great many people in the Tennessee Valley area. They are not hard to get along with. They have a long and prized tradition of hospitality and friendliness. But, Mr. President, I wish to report to the Senate that those people are angry today, and I feel that they have pretty good cause for feeling that way.

They are disturbed—indeed, some of them are aghast—that the Government of the United States would seriously consider such a proposal as has been produced in the negotiations between the Atomic Energy Commission and the Dixon-Yates utility syndicate.

Members of this body must be familiar with that name by this time—Dixon-Yates. Yet I believe that if Senators had time to read the transcript of hearing on July 1 and 2 before the Antitrust and Monopoly Subcommittee, they would be as disturbed as are the people of Tennessee.

The Tennessee Valley Authority is a household word throughout our whole great seven-State area. As an agency of the Federal Government, it has worked hand in hand with State and local governments in what is the finest example of democracy in action I know of. By its fruits, the people of the Valley know the TVA. They are proud of the fine contribution TVA has made to the economy and the defense of the entire Nation.

The people of the Valley understand full well what the proposed Dixon-Yates contract is. It is a crowbar which the private power lobby, working through the administration and the Atomic Energy Commission, is trying to wedge into the side of TVA.

Once they get the splitting process started, they feel they can chip TVA up into little pieces. They feel they can destroy its unity and its concept of area development, and again impose the choking, growth-killing monopoly they enjoyed for so many years before TVA's advent.

Mr. President, this is Dixon-Yates in a nutshell. The administration is telling its tool, the AEC, to go out and contract for some power from the private utility syndicate, a very special syndicate, as the subcommittee hearings have disclosed.

Yet AEC is not to use this power for itself at the Paducah works, where it is needed. Dixon-Yates' power is to be turned into the TVA system at Memphis, 200 miles away from Paducah.

The Tennessee Valley Authority will continue to supply the needs of the great AEC plant at Paducah, just as it has been doing.

The people of Tennessee are asking, Mr. President, what right AEC has to become a power broker for the city of Memphis, when Memphis has been doing pretty well over the years in dealing with the TVA for its own electric power.

I should now like to discuss briefly the cost of Dixon-Yates. The Atomic Energy Commission has told us that acceptance of the Dixon-Yates terms will cost $3.6 million more a year than if AEC continued to deal directly with TVA. Over the life of the contract, that means a Federal give-away of about $100 million to Dixon-Yates. But that is only AEC's estimate.

The TVA, which has had more experience in building power facilities than any other agency in the world, estimates the additional cost to be more than $5.5 million a year—or perhaps $140 million over the life of the contract.

Add to this the outlandish arrangement which apparently has been accepted by the administration: That the Government will pay all of Dixon-Yates' State and local taxes, Federal taxes, and allow rapid amortization. The Dixon-Yates plant, in Arkansas, will be the property of the private utility group.

Another proposal was made to the Atomic Energy Commission by another private group, headed by Mr. Walter von Tresckow. But from all evidence, AEC gave the Von Tresckow proposal only short shrift.

Under this proposal, the necessary generating facilities would have cost exactly what it would cost TVA to do the work, plus a $4 million fee for financing. And at the end of the contract period, the Government would own the facilities.

Mr. President, the Antitrust and Monopoly Subcommittee last week passed a resolution asking the AEC to refrain from further negotiations on the Dixon-Yates contract, because of its plainly objectionable features.

One of the earliest virtues of public power anywhere was that it would serve as a yardstick—a guide by which the public could know if its electric rates were justified by production costs. That has been a great value of the Tennessee Valley Authority.

Yet if the Dixon-Yates contract goes through, the TVA power yardstick will be destroyed the day they make the connection with the new plant. TVA is then going to have to pay at a rate much higher than that at which they have been producing power for 20 years.

As a witness before the subcommittee pointed out:

> The day TVA is forced to buy a kilowatt of power that it does not own the facilities for producing and does not control the rate of production, the cost of production, TVA, as it has existed, is a dead duck.

From time to time, I shall continue to make known to the Senate the feeling of the people of Tennessee on this subject. I hope and I am confident that this awful contract can be stopped if enough light is thrown on it.

I am glad the distinguished Senator from New Mexico is going to speak on the bill and offer an amendment to it, which I shall be very happy to support. I thank the Senator from New Mexico for yielding to me.

Mr. ANDERSON. Mr. President, when I listened to the announcement of the majority leader this evening as to what the program would be for the remainder of the week, I thought perhaps he had overlooked the fact that the bill now pending is an important piece of legislation, because he talked about bills he was going to take care of, and then he said it was planned to have a Saturday session both for the purpose of completing on Saturday pending business which may be carried over from Friday and also for a call of the calendar of bills to which there is no objection.

It is my opinion that if he shall succeed in having disposed of by Saturday the pending bill which proposes amendments to the Atomic Energy Act, he will have unduly crowded the Senate's schedule. I say that because, so far as I know, there is no intention on the part of Senators to grant unanimous consent for a limitation of debate on this very important measure. I think it would be only fair to say that if an effort is made to limit debate during the remainder of this week, it will encounter a great deal of difficulty.

To give some indication of the task involved in the consideration of the bill, I think it should be pointed out that when the joint committee had finished with the hearings, which occupy more than 1,150 pages, it then sat down and, day by day and hour by hour, carefully went over the bill, and I may say to those few Members of the Senate who remain that the committee spent an entire day in the discussion of one single word.

Mr. GORE. What was that word?

Mr. ANDERSON. The word was "willfully." I say to the Senator from Tennessee it had to do with a section which was very dear to the hearts of members of the press and various other persons, the language dealing with the question whether they had willfully given out any improper information.

When a group works as hard as I have indicated the joint committee worked to try to make sure that it reports a bill which has been carefully considered, it seems to me highly improper that the Senate should try to rush through the bill between lunch and tea time some afternoon. The Senate should spend some time upon the bill.

It seems to me that in dealing with a matter in which the people of the United States have already invested $12 billion, and which can easily change the course of industrial history in the entire Nation in a very few years, it might be worthwhile for the Senate to spend a little bit of time upon the bill.

I think it ought to be worthwhile also to spend a little time trying to decide whether the Atomic Energy Commission is truly an independent agency, or whether it must bow to an edict to go through with a contract against the judgment of three members who have been confirmed by the Senate of the United States, and thereby are presumed to be able to pass upon the business of the Commission.

I do not know that there is anything sacred in the term "independent," but it seems to me that if they are independent, if they have once been confirmed by the Senate of the United States, then they should be able to pass upon matters which come to them, without getting from some other source an edict that they must thereupon bend their will to that of another, and not do what they

have taken an oath to do, but do something entirely different.

I wish to remind Senators who may be called upon to consider this matter that electric current is not only handled by the TVA, and these contracts do not concern themselves only with matters in the State of Tennessee and do not concern themselves only with the Atomic Energy Commission. There is in the State of Tennessee the Tullahoma Air Base, the Arnold Research Laboratory, which I understand has something to do with wind tunnels. Many States tried to have that wind tunnel project located within their borders. The project was placed in the State of Tennessee because great quantities of electric power were available in that State—not available by means of some private industry, but available by means of the TVA.

Furthermore, I wish to say there may be involved in this discussion those of us who are not primarily concerned with the fate of TVA or the success of any public power project which may exist in the Tennessee Valley. It may be that they are concerned with this matter because they are interested in the form of contract, and are not at all disturbed by the claims that the proposed procedure might destroy the TVA.

I wish to assure the Members of the Senate that I am not nearly so concerned with the TVA, as such, as I am with the principle underlying this proposal, that a contract can be given to a private group, which can be called private enterprise, and that the Government of the United States will underwrite all the risk, and will permit a group with an investment of $5 million to make profits of $75 million, and call that private enterprise.

Mr. GORE. Mr. President, will the Senator from New Mexico yield to me?

The PRESIDING OFFICER (Mr. GOLDWATER in the chair). Does the Senator from New Mexico yield to the Senator from Tennessee?

Mr. ANDERSON. I yield.

Mr. GORE. And, in addition, give the same concern or corporation immunity from the payment of all taxes—local, State, Federal, excise, ad valorem, or income, and also from the payment of licenses or fees.

Mr. ANDERSON. Yes. I wish to say to the Senator from Tennessee that is why we need to spend some time discussing this matter. I do not believe the Congress of the United States has ever previously decided that a private concern can be organized and be given by the Federal Government a contract providing for the sale of its power and providing that it shall have certain definite rights in case of cancellation of the contract—to which provision I do not object—and also providing, in addition to all the other rights and privileges, that it shall be absolutely immune from taxes.

I object to such a provision because if that can happen in the case of a public utility providing power for the Atomic Energy Commission, the next logical step is to provide that it shall apply to any group. In short, once such an arrangement is made, there is no reason why a similar arrangement should not apply to General Motors when it contracts for the delivery of trucks to the armed services or why such an arrangement should not apply to any organization whatever in the United States which might be engaged in any industrial enterprise for the common good, because, once such a precedent were established, the same sort of tax treatment could be given to any group or organization. Provision could be made that it would not only be exempt from local taxes in the particular county in which it might be located—because the Federal Government would pay those taxes—but, in addition, that the Federal Government would pay its State taxes, whatever they might be, to any State in which the organization's plant or plants might be located, and, furthermore, that the Federal Government would stand ready to pay whatever Federal income tax for which the organization might be liable.

I wish to suggest that before we conclude this discussion, we shall see those who are advocating this step search by the hour through the lawbooks of the Nation, but still never find a case in which the Government of the United States ever before said to a private organization, "In recognition of your taking a defense contract, we will pay your local taxes, and your State taxes, and your Federal taxes."

Mr. President, when we talk about taking steps down the road in the direction of socialism, it is going a very long way when the Federal Government undertakes to pay the taxes of private business.

Mr. GORE. Mr. President, will the Senator from New Mexico yield again to me?

Mr. ANDERSON. I yield.

Mr. GORE. In the statement released by the Bureau of the Budget, they dwelt at length upon the tragic consequences to private enterprise, relating that private enterprise laid the gold egg and paid the taxes. If in this case the Government reimburses for the taxes, where is the golden egg, and who is the goose?

Mr. ANDERSON. I am not able to say who is the goose. [Laughter.] But I certainly am able to say to the distinguished Senator from Tennessee that I can follow that tax process with a great deal of interest, because if suddenly we are to decide that that can be done in this instance, then if the day should come when we were again engaged in a world war such as World War II—which heaven forbid—and if we were to have an excess-profits tax, and if we wished to have a certain organization take a contract, all we would have to do would be to go back to the excellent precedent of the Dixon-Yates contract, and say, "When you build this new factory to manufacture shells—or guns, tanks, planes, or whatever else might be needed—the Federal Government will pay to the local taxing authority whatever you may owe, and will pay to the State in which your plant is located any State taxes you may owe, and, in addition, will pay any Federal taxes—income taxes or otherwise—you may incur."

I wish to say that in the limited experience I have had in Washington in 14 years, I never heard of such a proposal; and I doubt whether the able Senator from Tennessee [Mr. GORE], who was in the House of Representatives when I became a Member of it, and who served with me on the Appropriations Committee of the House, ever heard in all his life of an example of such a proceeding.

Mr. GORE. I say to the Senator from New Mexico that I have never heard of such an example. I have asked the Congressional Library to search the annals of our Government, and they failed to find any such precedent. Neither could the General Accounting Office find such a precedent.

Does not the Senator from New Mexico think that the establishment of such a precedent would have very dangerous potentialities for the future, inasmuch as the bill provides for the power to license a concern to generate electricity by means of the use of atomic energy, and for the power to give patents?

Does not this bill constitute the very threshold of the generation of electrical energy by means of the use of atomic power?

Mr. ANDERSON. Yes; and on a subsequent day I intend to discuss that phase of the matter.

My purpose this evening is to place in the RECORD some of the material which should be before us when we begin to discuss such a contract.

Mr. President, the committee report is a fairly complete one. I did not sign any minority views, because I recognize the tremendous amount of work put into the bill by members of the staff and by members of the committee. However, I wish to call attention to the fact that the separate views alone run from page 94 to page 138—44 pages of separate views. It took me more than 2 hours to read the separate views of Representative HOLIFIELD and Representative PRICE.

I imagine that as we discuss this matter tomorrow and during the ensuing days, there will not be a single Member of the United States Senate, other than perhaps 1 or 2 members of the committee, who will have read even the report, to say nothing of the separate views on international activities, as submitted by the able Senator from Rhode Island [Mr. PASTORE], or the very carefully documented separate views submitted by Representative HOLIFIELD and Representative PRICE. These represent a tremendous amount of work.

On the question of taxation let me say this plant will cost only $107 million. However, if by any chance—knowing that Uncle Sam was going to pay the bill—the local taxing authorities in the State of Arkansas were to decide that the plant should be assessed at somewhat its true value, the Government of the United States might pay in taxes to the State of Arkansas not $1,500,000 a year but $3 million a year, because in many parts of the United States 30 mills is not an exorbitant tax rate.

If that should happen, the Federal Government, in a 25-year period, would be paying $75 million to the State of Arkansas in taxes. I can understand

why it would not like to have that arrangement made.

Mr. GORE. Except in this case, I believe, it is proposed that the Atomic Energy Commission shall reimburse the corporation for whatever taxes it pays.

Mr. ANDERSON. Surely. I am trying to say that it would pay these taxes. Then Uncle Sam would reach out and seek to pay them back to the Dixon-Yates group. If they have made their profit—and there is provision for a guaranteed profit of 9 percent—their taxes to the Federal Government are to be paid as well. It is a very fine situation.

On Friday, July 9, the junior Senator from Arkansas [Mr. FULBRIGHT] discussed the matter of the President's directive to the Atomic Energy Commission through the Director of the Budget to enter into a contract for 600,000 kilowatts of electric energy with the so-called Dixon-Yates group. He is temporarily off the floor and I do not seek to take advantage of his absence but want to put material into the RECORD at this time so it will be available for Members as the bill is debated.

The proposal of the Dixon-Yates group is to construct a powerplant of the above capacity on a site across the Mississippi River from Memphis, Tenn., known as West Memphis, Ark., and transmit on its own transmission line to a point midway across the Mississippi River. From that point on, according to the terms of the proposal, the Tennessee Valley Authority must assume the responsibility of accepting delivery of this amount of current which it will carry on its transmission lines into its system.

The Senator from Arkansas sets out as one of his arguments in favor of this arrangement the fact that the cost to the Government would not exceed $282,000 difference after the payment of full taxes to the State of Arkansas. He pointed out that this was in stark contrast with the repeated claims of other individuals, who have stated in the past that the cost to the Government would be in the neighborhood of $5,500,000 per year more than if the TVA were permitted to supply this same amount of power.

My attention has been called to the table inserted in the RECORD on page 9644, which the Senator from Arkansas uses as the basis for his statement that the net difference in cost to the Government including State tax, but excluding Federal tax, would be $282,000 per year. These figures, the Senator from Arkansas states in his discussion, were prepared by the Bureau headed "Statement outlining proposals received by the AEC from the sponsors—Middle South Utilities, Inc., and the Southern Co.," distributed by the Bureau of the Budget approximately 2 weeks ago. These figures are contained in the voluminous document which I hold in my hand, and I note on page 8 of the report a table of cost comparisons between the present TVA-Paducah contract and the Dixon-Yates revised proposal, dated April 10, 1954. The figures contained on this page are identical in every respect with those introduced into the RECORD by the Senator from Arkansas. It does, however, contain somewhat more information than the condensation used by the Senator in his discussion.

I ask unanimous consent that the statement outlining the proposal may be incorporated in the RECORD at this point.

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

STATEMENT OUTLINING PROPOSAL RECEIVED BY THE AEC FROM THE SPONSORS, MIDDLE SOUTH UTILITIES, INC., AND THE SOUTHERN CO.

On December 24, 1953, Mr. Hughes, then Acting Director of the Bureau of the Budget, requested the AEC to see if we could work out with private utilities a proposal for the supply of 500,000 to 600,000 kilowatts of power in order that the AEC could reduce existing commitments of TVA to the AEC by a like amount.

It was recognized that the AEC had a firm contract with TVA for the supply of power to the Paducah plant from the TVA-Shawnee plant, the major portion of which was justified for and funds were appropriated to provide facilities to satisfy the contract load of 1,205,000 kilowatts which will result when presently authorized AEC plant now in operation and under construction will be completed in approximately April of 1955.

In exploring ways to obtain the additional capacity, consideration of the problems involved in further concentration of additional capacity in the Paducah area indicated that the most economical method for accomplishing the objectives stated in the budget message would be to provide additional capacity in the Memphis area. Accordingly, proposals were received on the basis that TVA would continue to deliver power to AEC at Paducah where it is needed by AEC, but would receive in replacement power purchased by AEC from private sources in the Memphis area, where power is needed by TVA. This method would avoid a further concentration of generating capacity in the Paducah area essential to continuity of power from the standpoint of national defense, provide TVA with power from a new plant located near a major load center, and assure AEC of continuity and reliability of power from the plant built specifically to serve its needs.

On April 10, 1954, the sponsors submitted a revised firm proposal to furnish 600,000 kilowatts of firm power. This proposal has been reviewed by the AEC, Bureau of the Budget, and Mr. Frank Adams, Director of Power of the Federal Power Commission, in a consultant capacity to the Bureau of the Budget.

Under the proposal, the sponsors have offered, subject to securing financing on the basis covered later—

(a) to form a new company sponsored by Middle South Utilities, Inc., and the Southern Co.;

(b) to secure the necessary capital requirements presently estimated at $107,250,000, by subscribing $5,500,000 or approximately 5-percent equity capital which will bear a return of 9 percent and issuing 30-year bonds to institutional investors for the remaining $101,750,000 or approximately 95 percent based on an interest rate of 3½ percent;

(c) to build a 650,000-kilowatt steam-electric station near West Memphis, Ark., to provide transmission facilities from the sponsors' new facilities to the middle of the Mississippi River between Shelby County, Tenn., and Crittenden County, Ark., including modifications to existing river-crossing interconnections between TVA and Arkansas Power & Light Co. and its existing and future points of connection between subsidiaries of the Southern Co., Mississippi Power & Light Co., and TVA; and

(d) to enter into a contract with the AEC for a term of 25 years from date of commencement of commercial operation of the first unit with provisions for two 5-year extensions.

The principal provisions of the proposal are:

(a) An annual base capacity charge, exclusive of taxes, of $8,775,000, which is equivalent to $14,625 per kilowatt-year (1.69 mills per kilowatt-hour), subject a variation—

(1) up or down in case of increase or decrease in actual cost of construction compared with present estimate, with a maximum annual increase of $285,000 or 47.5 cents per kilowatt-year;

(2) up or down for changes in cost of fuel from 19 cents per million British thermal units for the fuel component included in the base capacity charge required to keep the plant in operation under no-load conditions; and

(3) upward only for power factor correction of less than 93 percent.

(b) An energy charge of 1.86 mills per kilowatt-hour subject to adjustments up or down in case of increase or decrease in fuel costs from 19 cents per million British thermal units and for increases or decreases in labor rates based on the hourly earnings of production workers in gas and electric utility industries as compiled by the Bureau of Labor Statistics, using $1.97 per hour as a base.

(c) Reimbursement by the AEC for all taxes, licenses, and fees—State, local, or Federal paid or payable by the new corporation during the term of the contract except that taxes arising out of use of facilities for purposes other than supply of capacity and energy to AEC will not be paid by AEC.

(d) Cancellation may be made only by the AEC and is provided for as follows:

(1) For TVA to continue to receive and AEC to pay power at the contract rates during a 3-year notice period. This period should be sufficient to permit TVA, if required, to make other arrangements for the meeting of the requirements of the Memphis area.

(2) After termination, company shall have first call on the capacity and will absorb as rapidly as load growth will permit, but in any event not less than 100,000 kilowatts per year. Costs associated with capacity absorbed by the sponsors will be borne by the sponsors.

(3) Any capacity not absorbed by the sponsors after the 3-year notice period may be assigned to another governmental agency at an increased price to be approved by FPC.

(4) In event no capacity is used during the notice period, the base capacity charged will be reduced by $1,500,000 and proportionally in case of partial reductions. After termination, the base capacity charge less the $1,500,000 will be reduced proportionately to the capacity absorbed by the sponsors.

(5) The total maximum cost of cancellation to the Government, assuming the plant is idle from date of notice of cancellation, is estimated at $40,012,500 plus fair and reasonable expenses payable to third parties.

(e) The making of appropriate arrangements by the AEC with the TVA for the receipt by it and delivery to the AEC in kind of power and energy to be supplied as indicated above.

The base capacity charge is subject to adjustment for changes in the cost of construction from an estimated total capital requirement, including cost of plant, substation, transmission, interest during construction, working capital and cost of financing, of $107,250,000 or $165 per kilowatt of capability; or for plant only an estimated cost of $89,076,000 or $137 per kilowatt of capability. Under the formula provided in the proposal, AEC shares on a 50–50 basis with the sponsors any decrease or increase

in actual costs. In case the actual cost of the facilities is greater than $107,250,000, AEC shares the increase in cost up to a maximum actual cost of $117 million, $180 per kilowatt of capability, which would result in the maximum annual increase of $285,000 to the capacity charge. Costs greater than this must be paid in their entirety by the sponsors.

As to taxes in (c) above, the proposal provides that since the capacity and energy charges do not include taxes except those included in other reimbursable costs, i. e., social security taxes, etc., the AEC will pay such additional amounts for Federal, State, and local taxes, licenses, fees, and other charges so the seller will have the same net operating revenue as though he were not required to pay such taxes, etc. Those tax liabilities arising out of use of facilities for others than AEC will not be included in additional tax charges for capacity and energy to AEC. The sponsors state that, based on present tax laws, the additional amount to be added to the capacity and energy charges is estimated at $2,319,000 (.446 mill per kilowatt-hour) of which $1,499,000 represents State and local taxes, including $83,000 State income taxes, and $820,000 represents Federal taxes on income. The sponsors have indicated that if a favorable ruling is secured from the Treasury Department to the effect that $262,000 included in the capacity charge for replacements is not to be considered as revenue for tax purposes, the taxes estimated above will be reduced by approximately $313,000, resulting in a total of $2,006,000 (.384 mill per kilowatt-hour).

Mr. Frank Adams, in his capacity as technical consultant to the BOB, has made a comparative analysis of annual cost to the Government for power supply delivered to the TVA system in the Memphis area through increasing TVA capacity or accepting this proposal. The AEC has participated in this analysis and is in agreement with his findings.

In considering this proposal there are several significant points to bear in mind:

(a) By utilizing private utilities, the United States would save a capital outlay of at least $100 million over the next 3 years, the cost estimated by TVA for the construction of equivalent capacity at the Fulton site.

(b) The proposal is a firm offer with a stated maximum capital cost reflected in the demand charge whereby a ceiling is placed on maximum liability on capital cost to the Government whereby the sponsors bear one-half of any possible increased cost from an estimated cost of $107,250,000 to $117,000,000 and all of the cost above $117,000,000. In addition, if the plant is built for less than $107,250,000 the Government will share 50 percent of the saving.

(c) There is no guaranty as to the ultimate capital cost of a TVA plant even though that agency has a favorable construction record in recent years. Data on actual cost of TVA plants is limited to information published by TVA without detailed information on how the costs are derived.

(d) In the case of this proposal there is a guaranty and a real incentive on the part of the sponsors to assure that capital costs do not exceed $107,250,000. As an example, if the cost should go to $117 million, the interest on the equity capital in the amount of $5,500,000 would reduce from 9 percent or $495,000 to $210,000 or 3.8 percent. If the capital cost exceeded $117 million, interest on equity capital would rapidly reduce to zero. Thus, the sponsors have a real risk under the proposal offered and a compelling reason to keep capital costs below the estimated cost of $107,250,000.

(e) In addition, the plant is not completely amortized at the end of the 25-year contract. There is 24.6 percent of the debt not retired at the end of 25 years so the rate under the proposal does not provide for completely amortizing the plant over the 25-year period.

(f) To obtain a fair comparison of the merits this proposal with cost of power to AEC under the TVA-Paducah contract, the same cost of fuel, 19 cents per million B. t. u. should be used and would result in the following comparison:

Comparison of annual cost for power supply from Dixon-Yates proposal versus cost to AEC of power from TVA at Paducah, using 600 megawatts capacity, 5.2 billion kilowatt-hours per year or 98 percent load factor and 19 cents per million British thermal units fuel cost

	TVA—Present Paducah contract	Dixon-Yates—Revised proposal Apr. 10, 1954
1. Production and transmission:		
Capacity	$8,208,000	$8,775,000
Mills per kilowatt-hour	(1.578)	(1.688)
Energy	11,648,000	9,688,000
Mills per kilowatt-hour	(2.24)	(1.863)
Total	19,856,000	18,463,000
Mills per kilowatt-hour	(3.82)	(3.551)
2. Difference, Paducah versus Dixon-Yates		(1,393,000)
3. TVA transmission required to primary point of delivery		[1] 177,000
4. Total (excluding taxes)		18,640,000
Mills per kilowatt-hour		(3.584)
5. Taxes (Federal, $820,000 plus Arkansas State and local $1,499,000)		2,319,000
Mills per kilowatt-hour		(.446)
6. Total (including taxes)	19,856,000	20,959,000
Mills per kilowatt-hour	(3.82)	(4.03)
7. Difference, Paducah versus Dixon-Yates		1,103,000
8. Less Federal taxes		820,000
9. Difference, Paducah versus Dixon-Yates less Federal taxes		282,000

[1] Represents difference in TVA annual transmission cost to deliver power from Fulton and Johnsonville plants ($430,000) and their corresponding costs from the receiving point for Dixon-Yates power ($607,000).

Thus, under a fair comparison using the same fuel costs, the cost of power delivered to the TVA transmission system under the Dixon-Yates proposal in comparison with the cost to AEC under our present contract with TVA at Paducah using the same fuel cost is $1,103,000 per annum. Excluding Federal income taxes in the amount of $870,000 the difference is $283,000 which is more than offset by State and local taxes in the amount of $1,499,000.

(g) In the cost comparison of annual costs to the Federal Government for power supply delivered to the TVA system in the Memphis area, it was estimated that the cost of increasing TVA capacity versus accepting the Dixon-Yates proposal would result in an additional cost to the Government per annum of $3,685,000 for 600,000 kilowatt capacity and 5.2 billion kilowatt-hours per year. It should be noted that this is a comparison between cost of power delivered under the Dixon-Yates proposal and estimated costs of TVA to deliver the same amount of power. It does not represent what TVA would charge the AEC for the same amount of power. Using the TVA-Paducah contract as a base, TVA would charge AEC approximately 3.82 mills per kilowatt-hour or $19,856,000 per annum. This would result in a cost to the AEC as follows:

Total annual cost—Dixon-Yates proposal (including taxes)	$20,959,000
Estimates total charges to AEC using TVA-Paducah contract as a base	19,856,000
Difference	1,103,000
Less Federal income taxes	820,000
Difference	283,000

This again shows that on a basis of estimated charges TVA would make to AEC, using the Paducah contract as a base, the difference is more than offset by Arkansas State and local taxes in the amount of $1,499,000.

(h) TVA stated they would change the estimated cost of increasing TVA net capability to supply 600,000 kilowatts demand and 5.2 billion kilowatt-hours per year from $16,884,000 per annum, or 3.25 mills per kilowatt-hour, to $15,414,000 per annum, or 2.96 mills per kilowatt-hour. Correcting the 2.96 mills per kilowatt-hour from 18.4 cents per million B. t. u. fuel costs (used in arriving at the 2.96 mills) to the estimated fuel cost of 15½ cents that TVA indicated should prevail in the Paducah area and would be used as a basis for calculating charges to the AEC after January 1, 1956, would result in an estimated cost to TVA of 2.84 mills per kilowatt-hour for power furnished by TVA to AEC at Paducah. Under the TVA-AEC contract at Paducah at a fuel cost of 15½ cents the charge to AEC would be 3.47 mills per kilowatt-hour, or a difference of 0.63 mill per kilowatt-hour. However, a fair comparison of cost to TVA versus charges to AEC at Paducah was calculated using 35-year amortization, 2½ percent interest, excluding interest during construction, insurance, and working capital, and using a higher heat rate of 9,947 B. t. u. per kilowatt-hour for the less efficient units in the Kingston plant would result in a difference of 0.58 mill per kilowatt-hour. For 5.2 billion kilowatt-hours per year, this would result in a charge to AEC over and above TVA costs of approximately $3 million per year.

By July 1, 1956, the AEC demand at Paducah under the present contract with TVA will be 1,205,000 kilowatts. Thus, after that date charges to AEC over and above estimated costs to TVA will be approximately double the $3 million, or $6 million per annum. This places TVA in a position, at the expense of AEC, of subsidizing other users of the TVA system at the expense of the taxpayers in the balance of the country.

This applies only to the TVA-AEC contract for the Paducah area. A similar analysis of the TVA-AEC contract for the Oak Ridge area for the 1,030 kilowatts of demand would undoubtedly reveal a similar picture.

Summary of Proposal Received by AEC From Von Tresckow Group

The AEC has received a second proposal for supplying 600,000 kilowatts of firm power to be delivered into the TVA system in the Memphis area.

This second proposal has been submitted by a group composed of the following: Walter von Tresckow, financial and economic consultant, New York City; Harvey Weeks,

of New York City; John N. Mitchell; Salomon Brothers and Hutzler, investment bankers of New York City; George H. Schwartz, of Schwartz, Nathanson & Cohen, attorneys, New York City; Zelig Nathanson, of Schwartz, Nathanson & Cohen, attorneys, New York City; and Robert W. Larrow, of MacNamara & Larrow, attorneys, Burlington, Vt.

This group has submitted a proposal to form a Tennessee corporation which would assume responsibility to finance, design, build, and operate a steam plant with a net capability of 620,000 kilowatts on TVA's Fulton site under a no-risk contract with AEC and/or TVA. Such a plant would be fully integrated into and become a part of the TVA system. The financing would be 100 percent debt financing on mortgage revenue bonds at 3½ percent interest. These bonds would be 35-year bonds with amortization over a period of 30 years, beginning the sixth year. The design, construction, and operation of the plant would be on a cost basis with no limit on liability of the Government and no risk on the part of the proposed corporation except for a $20 million bond to protect the Government against increases in construction costs from $200 per kilowatt to $233 per kilowatt for a 3-unit plant of 600,000 kilowatt nameplate rating; the Government would bear the full cost of plant construction up to $200 per kilowatt and any costs in excess of $233 per kilowatt. The Government would pay for power at the rate of 5 mills per kilowatt-hour, and at the end of each year would receive a patronage dividend representing the difference between the 5 mills rate and actual cost of operation including production, management expense, taxes, interest, and amortization of debt. In discussion the group indicated willingness to consider downward adjustment in the 5-mill rate as long as any adjusted rate resulted in maintaining sufficient margin to adequately cover debt service charges. The group has submitted an estimate of capital costs ranging from $90 million to $100 million.

As compensation the sponsors would receive a fee of $4 million, which under the original proposal was to be paid during the fourth and fifth year of the contract period, i. e., prior to commencement of amortization debt payments. They have also proposed an alternate method of payment which would provide for payment of $1 million in the fourth year; the balance of $3 million would be paid at such times during the period of the contract that the Government might suggest, with interest at the rate of 4½ percent per annum on any unpaid balances after the fourth year.

The sponsoring group propose a contract with AEC for a period of 25 years following the commencement of delivery of power under the contract. They further propose a subsidiary contract with TVA on the same terms as the AEC contract for a period of 32 years from the commencement of delivery of power to AEC, deliveries under the TVA contract to start at the expiration of deliveries under the AEC contract (at the end of 25 years), or at an earlier date if AEC cancels prior to the end of its contract term.

They further propose at the end of 30 years to turn over to TVA for 1 dollar the plant, together with all working capital and other assets of the corporation, if at that time TVA will assume all remaining outstanding bonded indebtedness and current obligations. An alternate discussed in the June 3 meeting would provide that the Government, either through AEC or TVA, could in the event of cancellation take title to the plant and also assume all outstanding liabilities of the corporation.

The estimates submitted as part of the proposal are based on a plant having net capability of 620,000 kilowatts delivering 4.73 billion kilowatt-hours per year. The group has given a low and high estimated annual cost ranging from $17,226,000 (3.64 mills per kilowatt-hour) to $20,957,000 (4.43 mills per kilowatt-hour).

The sponsoring group indicates that a separate management corporation would be organized to operate the plant. They have advised us that this management corporation would be staffed with properly qualified individuals. However, they preferred not to divulge at this time the identity of the individuals being considered for key jobs in the management corporation.

In consideration of this proposal there are several significant points to bear in mind:

(a) Complete risk for all cost is assumed by the Federal Government and there is no ceiling on maximum liability except as may be covered by the performance bond previously discussed.

(b) The proposal appears practicable only on the basis of cooperation by TVA, the execution of a contract by TVA to purchase power after expiration or on termination of the AEC contract and integration of the plant into TVA's system.

(c) The estimates used are quite general and as far as we have been able to ascertain are not based on any preliminary engineering studies or any firm commitments for fuel supply.

(d) Realization of the estimates depends entirely on the ability and skill of the groups who will design, build, and operate. There are no other safeguards to insure reasonable limitation on costs.

(e) It is doubtful that AEC has legal authority to enter into such a contract unless TVA undertakes the commitments expressed in the proposal. We are not familiar with TVA's legal ability to undertake their part of the proposal.

(f) The essential difference between this proposal and a direct appropriation to TVA is that a capital outlay by the United States of approximately $100 million, the cost estimated by TVA for construction of equivalent capacity at the Fulton site, would not be necessary. Under this proposal the capital would be provided by privately issued bonds at 3½ percent, the full interest and amortization on which, together with a $4 million fee, would be paid ultimately by the Government.

(g) On the basis of the very general estimates and the limited information on which these estimates are founded, and the lack of definite knowledge that there would be a competent, skillful operating organization, it is difficult to conclude that one could safely assume any savings to the Federal Government under this proposal in its present form as compared with the Dixon-Yates proposal.

We feel that an approach such as this, if considered reasonable, should not involve any AEC participation. There is nothing to be accomplished through joint AEC–TVA participation that could not be done better by TVA entering into such a contract alone.

Mr. ANDERSON. It is an interesting thing that not only was this statement prepared and submitted by the Bureau of the Budget, but certain persons started to check it, and it was noticed that the statement prepared by the Bureau of the Budget did not agree with the statement preparcd by the Atomic Energy Commission and submitteu to the Joint Committee on Atomic Energy. The Joint Committee on Atomic Energy received from the Atomic Energy Commission the statement that the difference in cost would be $3,600,000, roughly. There was the Bureau of the Budget, testifying that the cost would be $282,000.

I am reminded, upon reviewing this table, that on Thursday, June 17, 1954, Mr. Kenneth D. Nichols, General Manager of the Atomic Energy Commission, appeared as a witness before the Joint Committee on Atomic Energy, which was holding hearings on this important matter. At that time Mr. Nichols read into the record a letter, then unreleased, to Chairman SALTONSTALL of the Appropriations Committee from Mr. Rowland Hughes, Director of the Bureau of the Budget, setting forth the decision of the President to instruct the Director of the Bureau of the Budget to direct the Atomic Energy Commission to accept as a basis for negotiation the proposal set forward by the Dixon-Yates group in preference to the only other proposal submitted by the so-called von Tresckow group. That letter is now fully released and is now in the printed hearings.

It is interesting to me that in his testimony immediately after reading Mr. Hughes' letter to the chairman of the Appropriations Committee Mr. Nichols went on to testify as to the AEC's own breakdown of the difference of costs between the Dixon-Yates proposal and the TVA estimate of its costs for doing the same job. I am now quoting from page 957, part II of the published hearings on S. 3323 and H. R. 8862 before the Joint Committee on Atomic Energy:

Analysis of the proposal from the standpoint of cost to the Government, including State or local taxes but excluding Federal income taxes, as compared with the estimate for constructing a plant near Memphis by TVA, shows an annual cost to the Government of $20,569,000 for the private companies as compared with $16,884,000 estimated for the TVA plant. The difference of $3,685,000 is due to the following items. I give it in dollars and percent.

State and local taxes, $1,499,000, which represents 41 percent of the total. The difference in the cost of money, money bearing 2½ percent interest (Government borrowing) and money bearing 3¾ (private borrowing), is $1,059,000 or 29 percent of the total. The extra fuel transportation cost, which is noted in Mr. Hughes' letter, there is some question about this $309,000, or 8 percent.

Difference in operating cost, $211,000, or 6 percent. So the total adds up here $3,078,000 or 84 percent. Then there is increased transmission cost to TVA of $607,000, or 6 percent. So the total additional cost of 100 percent is $3,685,000.

In view of the authentic ring of Mr. Nichols' current analysis of the differences in cost, I believe that the junior Senator from Arkansas did not have in his possession the most recent and accurate information on the economics of this proposal. My interest in this matter has been increased by the second report released by Representative CHARLES R. JONAS over the weekend, which he described as "the official statement of the administration on the merits of accepting the Dixon-Yates proposal." I hold in my hand a copy of the report, originating from the Bureau of the Budget, which Representative JONAS released. On page 3 of the section of this report entitled "Detailed Analysis of the Middle South-Southern Proposal" I am struck by the similarity of the figures presented which show identically the same breakdown, as I mentioned a few minutes ago, as was given by Mr. Nichols, General Manager of the Atomic Energy Commis-

sion, before the joint committee fully 3½ weeks ago. From a very detailed analysis, it gives a difference in cost of $3,685,000 more to the Government if it accepts the Dixon-Yates proposal than the cost estimated by TVA for doing the same job at the Fulton steam-plant site.

I ask unanimous consent that this document be inserted in the RECORD at this point.

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

BASIS FOR ACTION BY THE ADMINISTRATION TO MEET ADDITIONAL NEEDS FOR GENERATING CAPACITY IN THE TENNESSEE VALLEY AREA

The President's decision to provide for the 1957 expansion of power consumption in the Tennessee Valley area through facilities to be constructed by private enterprise will—

1. Provide for national defense needs, which are paramount.

2. Promote the best interests not only of the people of that area but of all the people.

3. Permit amortization of the cost of the facilities over a 25-year period, thus averting an immediate capital outlay of $100 million and reducing pressures against the ceiling on the national debt.

The President's action, as he stated at his press conference on June 30, 1954, will meet the immediate needs and allow additional time for study of the question as to how the future power needs of the area should be met. The President's statement on that occasion emphasized that the Tennessee Valley Authority would be supported to carry out the purposes written into the law. It is a complete refutation of any suggestion that the present proposal is part of a plan to dismember the Authority.

The history and form of the transaction is abundantly clear. The President's decision was taken only after the matter had been subjected to the most careful consideration. The attempts to distort the purposes and effect of the contemplated arrangement cannot change the essential facts. A brief review of the development of the present proposal, and of the considerations which guided the decision, will demonstrate clearly that it is the best possible solution to the immediate problem.

In his message transmitting the 1955 budget, the President stated that arrangements were being made to reduce TVA commitments to the Atomic Energy Commission in order to provide for reasonable growth in industrial, municipal, and cooperative power loads in the TVA area through the calendar year 1957; and that the question of additional generating units for the Tennessee Valley Authority would be further considered in the event these arrangements could not be consummated.

The statement in the President's budget message is an alternative to the proposed construction by the Tennessee Valley Authority of a steam plant at Fulton, Tenn., near Memphis. A significant factor in connection with this proposed steam plant is that the Congress on four separate occasions in the current session and the preceding session has voted down amendments to provide funds to the TVA to start construction.

Further, the construction of the Fulton steam plant by TVA would create the risk of a large block of surplus power if AEC's needs should decline. A shift of part of AEC's requirements to private utilities would spread the risk of disposing of this surplus. Approximately 30 percent of TVA's capacity is committed to AEC and the Government would be in a better position if it could share with private power interests the responsibility for disposing of the surplus which would result if AEC operations were to be curtailed.

The construction of the Fulton plant as proposed by TVA would require the Federal Government to make a capital outlay of approximately $100 million during the next 3 or 4 years, which would serve to increase pressures upon the debt limit at a time when every effort is being made to limit the size of the national debt. An alternative source of power, the cost of which could be amortized over a period of 25 or more years, would reduce the pressure on the debt limit and thus be highly desirable from a standpoint of sound fiscal management.

Further, the Fulton steam plant would be on the periphery of the TVA area, 80 miles outside the Tennessee River Basin. As the President indicated at his press conference, the question whether the Government should continue to construct plants on the periphery of the basin, contemplating delivery of power far beyond the TVA area, involves a major question of public policy which was and is under study by the administration. A feasible alternative to immediate construction of the Fulton plant by TVA would provide time for completing the study of this question.

There was ample opportunity for interested parties to come forth with proposals to supply the Government's needs. Prior to the transmission of the budget message, discussions had been held with the private utility groups presently supplying power to the Atomic Energy Commission, and with representatives of other private utilities. Although the Government issued no formal invitations for bids for its additional power needs, the statement in the President's budget message received wide publicity in the general press and the trade publications and was a matter of public knowledge, particularly in the Tennessee Valley area. The suggestion that bidding was restricted is entirely without foundation.

The obvious alternative to construction of a steam plant by TVA to serve its needs and those of the Atomic Energy Commission would be to extend the existing practice of having the Commission purchase a substantial portion of its needs from private utilities operating near its Paducah installation. Preliminary discussions with these suppliers soon developed the fact that it would be imprudent to place any further concentration of power supply in the Paducah area because of the difficulty of finding a market for such a large block of power in the event of a decline in AEC needs. Further explorations by AEC indicated that the difficulty of disposing of any such residue of power would be minimized if generating facilities were constructed in the Memphis area. Also, the TVA need is in the Memphis area, rather than at Paducah. Construction of facilities by private interests near Memphis would benefit both TVA and AEC, since any surplus resulting from a decline in AEC needs could best be disposed of in the Memphis area.

In February 1954 the Commission received a proposal from Middle South-Southern utilities for construction of a plant in the Memphis area for power to be delivered to the TVA system for the account of AEC. This arrangement would, as contemplated by the President's budget message, reduce TVA's commitments to AEC and thus permit the Authority to devote more of its capacity to other users. This proposal, however, was believed to involve excessive costs to the Government. After extensive discussions, the Middle South-Southern group submitted a revised proposal on April 10, 1954. It is this revised proposal which the administration approved on June 16 when the Atomic Energy Commission was instructed to proceed with negotiations looking toward the signing of a definitive contract with the Middle South-Southern group. (A detailed analysis of this proposal is attached.)

In comments in the press and elsewhere considerable attention has been devoted to the fact that this proposal contemplates construction of a steam plant at West Memphis, Ark., 200 miles from the Commission's Paducah installation. However, the fact that the proposed plant would be located some distance from Paducah is entirely consistent with the practice followed by TVA in the construction of steam plants to serve the Commission. In many instances these plants are widely separated from the installations of the Commission. For example, funds for TVA's generating plant at Widow's Creek and unit 4 of its Johnsonville steam plant were justified to Congress in 1949 in connection with supplying the needs of the AEC installation at Oak Ridge. Oak Ridge, however, is 200 miles away from the Johnsonville steam plant and 100 miles from the Widow's Creek generating plant.

The practice followed both in that instance and in the present proposal involves the replacement method of power supply, under which power is fed into a large integrated system at locations which bear only an incidental relationship to the locations at which the power is used. No exact relationship is possible because power fed into such a system loses its identity just as water from streams which feed into a lake cannot be identified with a particular stream. (There is attached a statement which explains in detail the replacement method of power supply which is presently used by TVA to meet AEC power requirements.)

Another feature of the proposed contract with the Middle South-Southern utilities group which has received considerable attention is the cost of the proposal as compared with estimated costs if additional generating capacity were to be constructed by TVA. Under the TVA estimates, the annual cost to AEC would be $16,884,000 for 600,000 kilowatts of capacity. (Although TVA cost estimates have been sufficiently accurate to afford a satisfactory base for comparison, it should be noted that the proposal for construction of additional generating capacity by TVA would afford no guaranty as to the ultimate cost of power to AEC.)

Using TVA estimated costs as a yardstick, the Middle South-Southern proposal would cost the Government approximately $3,685,000 more per annum than the purchase of power from TVA. Of this amount, approximately 70 percent ($2,558,000) constitutes State and local taxes and interest on borrowings which is at a higher rate than interest on money borrowed by the Federal Government. The remainder ($1,127,000) is due to additional transmission costs to bring the power across the Mississippi, and to a difference between estimated operating costs. The latter item will be greatly reduced if the sponsors can obtain fuel at Fulton at the same price as TVA, as responsible suppliers have indicated would be the case.

Taxes, of course, will not inure to the benefit of the contractors but will merely reimburse them for amounts which they must pay to the governmental entities involved and which will ultimately benefit the other taxpayers concerned. In fact, the only element of profit in this proposal is the return to the sponsors on their $5,500,000 of equity capital. This would amount to $495,000 annually.

While reported cost is necessarily an important factor, it cannot be the deciding factor in comparing the operations of a Federal agency with a private organization. There are many activities now performed by private enterprise for the Federal Government which the Government, because of its freedom from taxes and its enormous credit resources, could seem to perform more cheaply under a concept that nonpayment of taxes by the Federal Government is a true saving in cost. This concept ignores the consideration that when a commercial-type operation does not pay taxes, it leaves a larger amount of taxes to be absorbed by other taxpayers. If this concept were accepted and it

were also considered sound to provide funds through Government borrowing, the Government might propose to take over these activities on the grounds that they would cost less under Government operation. Such action would be contrary to our basic conception of a private-enterprise economy.

On May 26, 1954, while the proposal of the Middle South-Southern group was under consideration, another proposal was submitted by a group headed by Walter von Tresckow of New York City. Under this proposal, the group would construct and operate a steam plant at Fulton which would be fully integrated into and become a part of the TVA system.

The von Tresckow proposal contemplates that the Government would acquire ownership of the plant after 30 years, subject, however, to assumption by the Government of liabilities of the contractor which would still be outstanding at the end of that period under the amortization plan contemplated by the proposal. The arrangement would be, in effect, a cost-plus-fixed-fee contract under which the sponsors would receive a flat fee of $4 million for their services. Annual costs to the Government are estimated at a range between $19,346,000 and $22,022,000 as compared with the estimated annual cost of $20,569,000 under the Middle South-Southern utilities proposal. (A detailed analysis of the von Tresckow proposal is attached.)

While the two private proposals are sufficiently dissimilar as to make exact comparison impossible, the Von Tresckow proposal is unsatisfactory because the Government would assume the entire risk of any increases in construction costs above those estimated by the sponsors, and the organization to accomplish the work does not exist. On the basis of the very general estimates and the limited information on which these estimates are founded, and because of the lack of definite knowledge that there would be a competent, skillful operating organization, it could not be concluded that there would be any less cost to the Government under this proposal than under the Middle South-Southern proposal; in fact, the Von Tresckow proposal could result in substantially greater cost.

On the other hand, the Middle South-Southern proposal is a firm offer with a stated maximum capital cost; the proposed charges are reasonable in comparison with those of TVA when considered in connection with the fact that a private utility must pay State and local taxes and a higher rate of interest than that paid by the Federal Government; and the use of privately generated power will avoid an outlay of approximately $100 million of Federal tax revenues for capital investment over the next several years.

In view of the misunderstandings which have been created by comments in the press and elsewhere in recent weeks, it is important to emphasize the following facts:

1. The major risk will be assumed by the contractors, not by the Government.

2. Power will be made available in the Memphis area—where it is needed—not at Paducah, where it could become a liability.

3. There will be no windfall to the contractors. The additional charges to the Government will benefit local taxing authorities and taxpayers.

4. There is no significance in the location of the proposed plant 200 miles from the AEC installation. This is simply a method of replacing power that TVA itself has used in supplying AEC needs.

5. Interested parties have had ample notice and opportunity to make offers to supply the Government's needs.

6. The rejected proposal was on a cost-plus-fixed-fee basis involving substantial risk and no satisfactory guaranty to the Government.

7. The alternative of construction of a steam plant by TVA has consistently been rejected by the Congress.

DETAILED ANALYSIS OF THE MIDDLE SOUTH-SOUTHERN PROPOSAL

On April 10, 1954, Middle South Utilities, Inc., and the Southern Co., as sponsors, submitted to the Atomic Energy Commission a firm proposal to furnish 600,000 kilowatts of firm power for the account of AEC. Under this proposal, a revised version of one submitted to AEC on February 25, 1954, they offered, subject to securing financing on the basis covered later:

1. To form a new company sponsored by Middle South Utilities, Inc., and the Southern Co.;

2. To secure the necessary capital requirements estimated at $107,250,000, by subscribing $5,500,000 or approximately 5 percent equity capital which will bear a return of 9 percent and issuing 30-year bonds to institutional investors for the remaining $101,750,000, or approximately 95 percent, based on an interest rate of 3½ percent;

2. To build a 650,000 kilowatt steam electric station near West Memphis, Ark., and to provide transmission facilities from the Sponsors' new facilities to the middle of the Mississippi River between Shelby County, Tenn., and Crittenden County, Ark., including modifications to existing river crossing interconnections between TVA and Arkansas Power & Light Co. and its existing and future points of connection between subsidiaries of the Southern Co., Mississippi Power & Light Co., and TVA; and

4. To enter into a contract with the AEC for a period of 25 years from date of commencement of commercial operation of the first unit with provisions for two 5-year extensions.

The principal provisions of the Middle South-Southern proposal are as follows:

1. An annual base capacity charge, exclusive of taxes, of $3,775,000, subject to variation as follows:

(a) Up or down in case of increase or decrease in actual cost of construction compared with the estimate of $107,250,000 ($165 per kilowatt), with a maximum annual increase of $285,000;

(b) Up or down for changes in cost of fuel from 19 cents per million B. t. u. for the fuel component included in the base capacity charge required to keep the plant in operation under no load conditions; and

(c) Upward only for power factor correction of less than 93 percent.

2. An energy charge of 1.86 mills per kilowatt-hour subject to adjustments up or down in case of increase or decrease in fuel costs from 19 cents per million B. t. u. and for increases or decreases in labor rates based on the 6 months average hourly earnings of production workers in gas and electric utility industries as compiled by the Bureau of Labor Statistics, using $1.97 per hour as a base.

3. Reimbursement by the AEC for all taxes, licenses, and fees, (State, local, or Federal) paid or payable by the new corporation during the term of the contract except that taxes arising out of use of facilities for purposes other than supply of capacity and energy to AEC will not be paid by AEC.

4. Cancellation may be made only by the AEC and is provided for as follows:

(a) For TVA to continue to receive and AEC to pay for power at the contract rates during a 3-year notice period. This period should be sufficient to permit TVA, if required, to make other arrangements for meeting the requirements of the Memphis area.

(b) After termination, the company shall have first call on the capacity and will absorb it as rapidly as load growth will permit, but in any event not less than 100,000 kilowatts per year. Costs associated with capacity absorbed by the sponsors will be borne by the sponsors.

(c) Any capacity not absorbed by the sponsors after the 3-year notice period may be assigned to another governmental agency at a price to be approved by FPC.

(d) In the event no capacity is called for during the notice period, the base capacity charge will be reduced by $1,500,000 and proportionately in case of partial reductions. After termination, the base capacity charge less the $1,500,000 will be reduced proportionately to the capacity absorbed by the sponsors.

(e) The total maximum cost of cancellation to the Government, assuming the plant is idle from date of notice of cancellation, is estimated at $40,012,500 plus fair and reasonable expenses payable to third parties.

5. The making of appropriate arrangements by the AEC with the TVA for the receipt by it and delivery to the AEC in kind of power and energy to be supplied as indicated above.

A comparison of annual cost to the Federal Government for power supply delivered to the TVA system in the Memphis area for the account of AEC is attached (attachment 1).

Analysis of the Middle South-Southern proposal from the standpoint of its net cost to the Government, including State and local taxes, as compared with the estimate for constructing a TVA plant near Memphis, shows an annual cost to the Government of $20,569,000 for the private companies' proposal, as compared with $16,884,000 estimated for the TVA plant. The difference of $3,685,000 is due to the following items:

	Amount	Percent of total
State and local taxes	$1,499,000	41
Difference in cost of money	1,059,000	29
Extra fuel transportation costs	309,000	8
Difference in operating costs	211,000	6
Total for Middle South-Southern	3,078,000	84
TVA transmission costs	607,000	16
Total additional costs	3,685,000	100

The difference in cost due to taxes is self-explanatory. The difference in cost of money is between 2½ percent for Government borrowing as compared with about 3¾ percent for private financing, a reasonable rate for the private corporation. These 2 items make up 70 percent of the total difference and reflect the lack by the private group of special advantages available to TVA as an agency of the Federal Government.

The item for extra fuel transportation costs recognizes the possibility of increased costs because the Memphis location is some 55 miles farther from the sources of coal supply than Fulton. However, if, as the private group has been assured by responsible suppliers, coal can be supplied for the same cost as at Fulton, this difference in cost would disappear.

The difference in operating costs is due to TVA's estimate that it can operate its plant at a lower cost than the company.

The extra transmission costs are due to higher estimated costs for transmitting the company power for midriver delivery point to the TVA system as compared with transmission of Fulton plant power into the system.

The comparative cost to AEC is shown on a second analysis comparing Middle South-Southern costs with the cost of power to AEC at Paducah from TVA's Shawnee plant. This analysis is attached (attachment 2).

The annual cost to AEC, excluding taxes, would amount to $18,640,000, compared with $18,036,000 that AEC would pay TVA under the terms of the present arrangement at

Paducah for an equivalent amount of power. The difference of $604,000 is more than accounted for by a calculated higher cost of coal at the new plant because of added distance from the source of supply. It should be noted that the new Fulton plant, proposed by TVA, would be in the same area and would have to meet an added cost of coal possibly as great as mentioned above.

TVA has suggested a number of adjustments in both the above-mentioned analyses which would show higher costs to the Government and to AEC, respectively. However, expert and unbiased opinion is that the comparisons shown are fair and reasonable and that the adjustments suggested by TVA should not be accepted.

There are several significant considerations in connection with this proposal:

1. By utilizing private utilities, the Federal Government will save a capital outlay of at least $100 million over the next 3 years, the cost estimated by TVA for the construction of equivalent capacity at the Fulton site.

2. The sponsors' proposal is a firm offer with a stated maximum capital cost reflected in the demand charge whereby a ceiling is placed on maximum liability on capital cost to the Government. The sponsors bear one-half of any possible increased cost from an estimated cost of $107,250,000 to $117 million and all the cost above $117 million. In addition, if the plant is built for less than $107,250,000, the Government will share 50 percent of the saving.

3. There is no guaranty as to the ultimate capital cost of a TVA plant even though that agency has had a favorable construction record in recent years.

4. The proposal provides a guaranty and a real incentive on the part of the sponsors to assure that capital costs do not exceed $107,250,000. Thus, if the cost should go to $117 million, the return on $5,500,000 of equity capital would be reduced from 9 percent ($495,000) to 3.8 percent ($210,000). If the capital cost should exceed $117 million, return on equity capital would rapidly reduce to zero. Thus the sponsors have a real risk under the proposal offered and a compelling reason to keep capital costs below the estimated cost of $107,250,000.

5. In addition, the plant is not completely amortized at the end of the 25-year contract. There is 24.6 percent of the debt not retired at the end of 25 years so the rate under the proposal does not provide for completely amortizing the plant over the 25-year period.

6. Acceptance of the proposal will help spread the risk in the event of future reduction in the AEC power requirements, which will in 1957 amount to about 30 percent of the TVA power supply.

ATTACHMENT 1

Comparison of annual cost to Federal Government for power supply delivered to TVA system in Memphis area

(For 600,000 kilowatts of demand and 5.2 billion kilowatt-hours a year)

ESTIMATED COST OF INCREASING TVA NET CAPABILITY 650,000 KILOWATTS

(At Fulton or at Fulton and Johnsonville)

Fixed costs: plant and transmission facilities (interest 2½ percent, 30-year amortization, replacements, insurance, and fixed operating costs	[1] $7,580,000
Variable costs (fuel cost 18.4 cents per million Btu)	[1] 9,304,000
Total	16,884,000
Cost to Government: Per year	16,884,000
Per kilowatt-hour (mills)	3.25

[1] Distribution of total cost to "fixed" and "variable" components made on basis comparable to Dixon-Yates "demand" and "energy" charges.

ATTACHMENT 1—Continued

Comparison of annual cost to Federal Government for power supply delivered to TVA system in Memphis area—Continued

DIXON-YATES PROPOSAL

(New plant of 650,000 kilowatts net capability at West Memphis, Ark.)

Demand charges: interest 3½ percent, 30-year amortization, 9 percent return on equity, replacements, insurance and fixed operating costs)	$8,775,000
Energy charges (fuel cost 19 cents per million Btu)	[2] 9,688,000
Total, Dixon-Yates charges	18,463,000
TVA transmission costs (from point of interconnection at middle of river to TVA Memphis substation)	607,000
Cost to Government (excluding taxes):	
Per year	19,070,000
Per kilowatt-hour (mills)	3.67
Taxes:	
Arkansas—State and local	1,499,000
Federal income	820,000
Subtotal	2,319,000
Cost to Government (including taxes):	
Per year	21,389,000
Per kilowatt-hour (mills)	4.11
Less: Federal income tax	820,000
Net cost to Government:	
Per year	20,569,000
Per kilowatt-hour (mills)	3.96
Additional cost to Government per year	3,685,000

[2] If coal can be delivered by barge to Memphis site of Dixon-Yates, 55 miles downstream from Fulton, at same cost as at Fulton (as assumed by Dixon-Yates), then this cost would be reduced by $309,000.

ATTACHMENT 2

Comparison of annual cost of power supply for the AEC Paducah project

(For 600,000 kilowatts of demand and 5.2 billion kilowatt-hours per year)

TVA—PADUCAH CONTRACT

Demand charges	$8,208,000
Energy charges (fuel cost 15½ cents per million B. t. u.)[1]	9,828,000
Total cost:	
Per year	18,036,000
Per kilowatt-hours (mills)	3.47

DIXON-YATES PROPOSAL

Demand charges	$8,775,000
Energy charges (fuel cost 19 cents per million B. t. u.)[1]	9,688,000
Additional TVA transmission costs	[2] 177,000
Total cost (excluding taxes):	
Per year	18,640,000
Per kilowatt-hours (mills)	3.58

[1] Presently available coal prices were used, with an assumed transportation cost differential of 80 cents a ton (equivalent to 3.5 cents per million B. t. u.) between the Shawnee plant and the Dixon-Yates site. Such transportation differential would result in fuel costs in the amount of $1,820,000.

[2] Represents the difference in TVA's annual transmission costs to deliver power from the Fulton and Johnsonville plants ($430,000) and their corresponding costs from the receiving point for Dixon-Yates power ($607,000).

ATTACHMENT 2—Continued

Comparison of annual cost of power supply for the AEC Paducah project—Continued

Taxes:	
Arkansas—State and local	$1,499,000
Federal income	820,000
Subtotal	2,319,000
Total cost (excluding taxes:	
Per year	20,959,000
Per kilowatt-hours (mills)	4.03
Additional cost per year	2,923,000

DETAILED ANALYSIS OF THE WALTER VON TRESCKOW PROPOSAL

This proposal was submitted by a group composed of the following: Walter von Tresckow, financial and economic consultant, New York City; Harvey Weeks, New York City; John N. Mitchell; Salomon Bros. & Hutzler, investment bankers of New York City; George H. Schwartz, of Schwartz, Nathanson & Cohen, attorneys, New York City; Zelig Nathanson, of Schwartz, Nathanson & Cohen, New York City; and Robert W. Larrow, of MacNamara & Larrow, attorneys, Burlington, Vt.

This group proposed to form a Tennessee corporation which would finance, design, build, and operate a steam plant with a net capability of 620,000 kilowatts on TVA's Fulton site under a no-risk contract with AEC and/or TVA. Such a plant would be fully integrated into and become a part of the TVA system. The financing would be 100 percent debt financing on 35-year mortgage revenue bonds at 3½ percent interest with amortization over a period of 30 years, beginning with the sixth year. The design, construction, and operation of the plant would be on a cost basis with no limit on liability of the Government and no risk on the part of the proposed corporation except for a $20,000,000 bond to protect the Government against increases in construction costs from $200 per kilowatt to $233 per kilowatt for a 3-unit plant of 600,000 kilowatt nameplate rating. The Government would bear the full cost of plant construction up to $200 per kilowatt and any costs in excess of $233 per kilowatt.

The Government would pay for power at the rate of 5 mills per kilowatt hour, and at the end of each year would receive a patronage dividend representing the difference between the 5 mill rate and actual cost of operation, including production, management expense, taxes, interest and amortization of debt. The group indicated willingness to consider downward adjustment in the 5 mill rate as long as any adjusted rate resulted in maintaining sufficient margin adequately to cover debt service charges. The group submitted an estimate of capital costs ranging from $90 million to $100 million.

As compensation, the sponsors would receive a fee of $4 million to be paid during the fourth and fifth years of the contract period, that is, prior to commencement of amortization debt payments. An alternate method of payment was also proposed which would provide for payment of $1 million in the fourth year; the balance of $3 million to be paid at such times during the period of the contract that the Government might suggest, with interest at the rate of 4½ percent per annum on any unpaid balances after the fourth year.

The sponsoring group proposed a contract with AEC for a period of 25 years following the commencement of delivery of power under the contract, and a subsidiary contract with TVA on the same terms as the AEC contract for a period of 32 years from the commencement of delivery of power to AEC, with deliveries under the TVA contract to start at the expiration of deliveries under

the AEC contract (at the end of 25 years), or at an earlier date if AEC cancels prior to the end of its contract term.

They further proposed at the end of 30 years to turn over to TVA for $1 the plant, together with all working capital and other assets of the corporation, if at that time TVA will assume all remaining outstanding bonded indebtedness and current obligations. An alternate proposal would provide that the Government, either through AEC or TVA, could in the event of cancellation take title to the plant and also assume all outstanding liabilities of the corporation.

The sponsoring group indicated that a separate management corporation would be organized to operate the plant. They advised the AEC that this management corporation would be staffed with properly qualified individuals. However, they preferred not to divulge the identity of the individuals being considered for key jobs in the management corporation.

The estimates submitted as part of the proposal are based on a plant having net capability of 620,000 kilowatts delivering 4.73 billion kilowatt-hours per year. The group has given a low and high estimated annual cost on this basis, ranging from $17,226,000 (3.64 mills per kilowatt-hour) to $20,957,000 (4.43 mills per kilowatt-hour).

As indicated previously, the Von Tresckow proposal is a cost-type proposal with all risk being assumed by the Federal Government, and therefore a direct cost comparison with the Dixon-Yates proposal, which includes elements of risk and limitations on Government liability, is not valid. However, an analysis has been made to outline the possible differences in cost between the two proposals. This analysis is attached. (Attachment 1.)

For purposes of comparability, this analysis is based on provision of 600,000 kilowatts of capacity and 5.2 billion kilowatt-hours per year, an average heat rate over the 25-year period of 9,674 btu and a fuel cost of 18.4 cents per million btu which is TVA's estimate of the cost of fuel delivered to the Fulton site. On this basis the comparative costs range from a low estimate of $19,346,000 (3.72 mills) to a high estimate of $22,022,000 (4.24 mills) as compared to $20,569,000 (3.96 mills) for the Middle South-Southern proposal.

The analysis also shows that annual cost could increase as much as from $20,977,000 (4.03 mills) to $23,653,000 (4.55 mills) due to increased construction costs, as compared to $20,854,000 (4.01 mills) for the Middle South-Southern proposal.

On the basis of the very general estimates and the limited information on which these estimates are founded, and the lack of definite knowledge that there would be a competent, skillful operating organization, it could not be concluded that there would be any savings to the Federal Government under this proposal as compared with the Middle South-Southern proposal.

Following are several significant considerations in connection with this proposal:

1. Complete risk for all cost is assumed by the Federal Government and there is no ceiling on maximum liability except as may be covered by the performance bond previously discussed.

2. The estimates used are quite general and as far as can be determined are not based on any preliminary engineering studies or any firm commitments for fuel supply.

3. Realization of the estimates depends entirely on the ability and skill of the groups who will design, build, and operate. There are no other safeguards to insure reasonable limitation on costs.

4. The essential difference between this proposal and a direct appropriation to TVA is that a capital outlay by the United States or approximately $100 million, the cost estimated by TVA for construction of equivalent capacity at the Fulton site, would not be necessary. Under this proposal the capital would be provided by privately issued bonds at 3½ percent, the full interest and amortization on which, together with a $4 million fee, would be ultimately paid by the Government.

ATTACHMENT 1

Comparison of cost to Federal Government for power supply delivered to TVA system in Memphis area

(For 600,000 kilowatts of demand and 5.2 billion kilowatt-hours per year)

	Von Tresckow estimate		Dixon-Yates proposal, firm contract
	Low estimate	High estimate	
Federal capital investment required:			
1. For generating plant	None	None	None
2. For transmission lines	$10,156,000	$10,156,000	$9,840,000
Total	$10,156,000	$10,156,000	$9,840,000
Annual cost to Federal Government:			
1. Estimated base cost before taxes	$19,196,000	$20,922,000	$19,070,000
2. State and local taxes	$150,000	$1,100,000	$1,499,000
3. Federal income tax			$820,000
4. Total, including taxes	$19,346,000	$22,022,000	$21,389,000
Mills per kilowatt-hour	3.72	4.24	4.11
5. Credit for Federal income tax			$820,000
6. Net cost to Federal Government	$19,346,000	$22,022,000	$20,569,000
Mills per kilowatt-hour	3.72	4.24	3.96
7. Possible increased cost (due to capital cost exceeding the estimate)	$20,977,000	$23,653,000	$20,854,000
Mills per kilowatt-hour	4.03	4.55	4.01
8. Sponsors guaranty against further increase	None	None	(1)

[1] Contract guaranty.

EXPLANATION OF REPLACEMENT METHOD FOR MEETING AEC POWER REQUIREMENTS

Under the Dixon-Yates proposal the Atomic Energy Commission would procure power to meet its needs from a privately owned plant which would be located at a considerable distance from the AEC plant for which the power would be purchased.

This is not a new method of supplying AEC loads. It is a practice employed by TVA since 1949 when it began adding capacity to its system to serve AEC. In the past, whenever AEC requested additional power, the TVA has not (except for the initial load at Paducah) added the full capacity requested in the immediate vicinity of the AEC plant requiring the power. Instead, TVA has, with congressional and Bureau of the Budget approval, placed such capacity in its interconnected power system as much as 200 miles away from the AEC load.

TVA therefore has been practicing what is now proposed, namely, supplying the AEC requirements by replacement. The following examples, which include the major requests made by the AEC for additional power since AEC began expansion of facilities in 1949, illustrate this point:

The first major expansion of AEC facilities was authorized for Oak Ridge in 1949. To supply power to these new facilities TVA submitted a request to the Congress to build the first 2 units of the Widows Creek steam-generating plant and unit 4 of the Johnsonville steam plant. This request was justified on the basis that part of the capacity was needed to supply the increased AEC load. The Johnsonville steam plant is located approximately 200 miles away from Oak Ridge, or a greater distance than the proposed Dixon-Yates plant is from Paducah. The Widows Creek plant is approximately 100 miles from Oak Ridge. The logical conclusion is that TVA located the Johnsonville and Widows Creek units so as to best meet the needs of its system and thus replace power supplied to AEC from plants nearer Oak Ridge.

The next AEC expansion was authorized in 1951 at Paducah; the requirements for it were contracted on a 50–50 basis, with TVA and EEI to supply 500,000 kilowatts each. Late in 1952 it again became necessary to expand AEC facilities. TVA was requested to supply an additional 1,030,000 kilowatts for Oak Ridge and 705,000 kilowatts additional for Paducah.

To serve the Oak Ridge load, TVA requested appropriations for the construction of 2 units at Kingston, 2 units at John Sevier, and 2 units at Gallatin. The Kingston plant is located adjacent to Oak Ridge, and, when completed, can be expected to supply all the Oak Ridge additional requirements, even though only 2 of the 9 units in this plant were justified to the Congress for AEC load growth. The John Sevier plant is 70 miles from Oak Ridge, and the Gallatin plant is 150 miles away. Here again TVA obviously planned the additional units at those plants to serve the needs of its system and to replace power which would be supplied Oak Ridge primarily from the Kingston plant.

The TVA Shawnee plant, located adjacent to Paducah, is a similar example. Congress appropriated funds for the first four units of this plant to meet the 1951 AEC expansion and the location of the plant outside the Tennessee River Basin was justified on the basis that it would be located adjacent to the point of consumption at Paducah. Later, two more units were requested, not for AEC, but for normal load growth. Finally, 4 more units were requested in May 1952, on the basis of AEC's last request that TVA supply an additional 705,000 kilowatts at Paducah. In addition to the 4 units at Shawnee, TVA also requested part of 2 units at Gallatin to meet the additional Paducah load. Gallatin is approximately 130 miles from Paducah and the power supply for Paducah will not come from Gallatin, but from Shawnee, only 6 miles away. Here, again, is an instance of replacement in that units 5 and 6 at Shawnee, which were justified to supply the load growth in the western part of the TVA system, will be used in part to supply AEC, and a part of the normal growth of the area will be supplied by new generators at Gallatin justified on the basis of AEC added requirements.

The Dixon-Yates proposal to supply 600,000 kilowatts to the TVA system at Memphis as replacement for TVA power furnished AEC at Paducah, is similar to the several previous arrangements on the TVA system described above. By providing for additional generating capacity at West Memphis to be fed back into the TVA grid in an amount which is necessary to assure delivery of the Commission's requirement at Paducah, this

contract can properly be considered as a contract for electric-utility service to installations of the Commission.

Mr. ANDERSON. When that document is perused it will be noted that the first page of the official report by the Bureau of the Budget begins:

The President's decision to provide for the 1957 expansion of power consumption in the Tennessee Valley area through facilities to be constructed by private enterprise will—

And so forth. There is not a word about the Atomic Energy Commission on that page of the document.

Included in the basis for action by the administration to meet additional needs for generating capacity in the Tennessee Valley area which I have just asked to be placed in the RECORD, there is a comparison of annual cost to the Federal Government for power supply delivered to TVA system in the Memphis area. It shows an additional cost to the Government of $3,685,000 per year. This material is also carried as a document to a letter from the Acting Comptroller General of the United States and therefore will not be included again. However, I ask permission to include in the RECORD at this point a copy of a letter addressed by Frank H. Weitzel, Acting Comptroller General of the United States, to the Honorable CHET HOLIFIELD, a member of the Joint Committee on Atomic Energy as one of the Members from the House of Representatives, and sent to him under date of June 1, 1954.

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

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, June 1, 1954.

Hon. CHET HOLIFIELD,
House of Representatives.

DEAR MR. HOLIFIELD: This is in reference to your letter of May 28, 1954, requesting information concerning the so-called Dixon-Yates proposal to supply electrical energy to Tennessee Valley Authority under a contract with Atomic Energy Commission.

In the President's budget message (p. M84 of the 1955 budget) it was suggested that TVA's power commitments to AEC be reduced by 500,000 to 600,000 kilowatts by arrangements for furnishing these load requirements from other sources. Accordingly, it appears that the proposal to AEC was pursuant to the President's suggestion and a request of the Bureau of the Budget that AEC explore such a possibility.

The reason, apparently, that AEC appears in this proposal as an intermediary is that AEC, under the provisions of section 12 (d) of the Atomic Energy Act of 1946, as amended (42 U. S. C. 1812 (d)), may enter into long-term (25 years) power contracts, and that such a long-term contract would tend to lower the cost of money to the sponsors of the proposal. This reason is cited by the sponsor. Also, it is pointed out that since the power involved would be utilized by the Government for a purpose related in the main to defense, the sponsors assert that they would be able to finance with a larger proportion of long-term debt than would be permitted by regulatory authorities in a normal public-utility situation. See page 12 of the offer.

The General Accounting Office has not been a party to any of the negotiations relating to this proposal. Pursuant to an informal request by a member of the staff of the Joint Committee on Atomic Energy a comparison of estimated costs under the proposal with costs under existing AEC power contracts, including that with TVA, was delivered to the committee staff on May 12, 1954. The information for this cost comparison was obtained by GAO auditors from officials of AEC. A copy of the comparison is enclosed.

Except for a copy of the proposal itself, dated April 10, 1954, and a copy of the letter of the Chairman, AEC, to the Director, Bureau of the Budget, dated April 15, 1954, referring the proposal for consideration by higher authority, this cost information is all the data available in this Office. I understand that the Federal Power Commission has been requested to examine the proposal, but I have no knowledge of its findings.

The General Accounting Office is in agreement with the position expressed by AEC (pp. 7 and 8 of the AEC letter to the Bureau of the Budget) that any costs (subsidies) involved in the Dixon-Yates proposal over and above the cost of power to AEC under its present contract with TVA should, in accordance with all good accounting and budgetary standards and congressional control, be borne by the latter. Indeed, absent such an arrangement, it would appear necessary for the President to invoke the extraordinary contracting authority of section 12 (b) of the Atomic Energy Act (42 U. S. C. 1812 (b)), or the AEC to resort to the First War Powers Act for authority to enter into a contract such as proposed by Dixon-Yates. It is suggested, also, that if an arrangement similar to the Dixon-Yates proposal is to be consummated, consideration be given to the feasibility of letting the contract to the lowest bidder after advertised bids.

If I can be of further service in this matter, please call on me.

Sincerely yours,
FRANK H. WEITZEL,
Acting Comptroller General of the United States.

Mr. ANDERSON. Mr. Weitzel included, as I have said, attachment No. 1, which the Bureau of the Budget has included in its latest analysis, but he also included a breakdown of the additional cost of Dixon-Yates power and the adjustments which TVA would make. I ask unanimous consent to include those figures in the RECORD at this point.

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

The additional cost of Dixon-Yates power is due to the following:

State and local taxes	$1,499,000
Extra cost of money (2½ percent versus 3½ percent interest) (return on equity 9 percent)	1,059,000
Extra fuel costs [1]	309,000
Extra operating costs	211,000
Total for Dixon-Yates	3,078,000
Extra TVA transmission costs	607,000
Total	3,685,000
Increasing TVA net capability 650,000 kilowatts: Cost to Government, per year	16,884,000
Adjustments TVA would make:	
Decreases:	
1. Use of 35-year amortization instead of 50 years	521,000
2. Use of plant efficiency of 9,350 instead of 9,917 B. t. u.'s per kilowatt-hour	548,000
Adjustments TVA would make—Continued	
Decreases—Continued	
3. Credit for Federal income tax from bondholder	$391,000
Total	1,470,000
Cost of Government with TVA adjustments	15,414,000
Accepting Dixon-Yates proposal (new plant of 650,000 kilowatts net capability): Net cost to Government, per year (excluding Federal income taxes)	20,569,000
Additional cost to Government	3,685,000
Increases:	
4. Cost of standby power with 2 units out	200,000
5. Increased TVA off-peak transmission losses	186,000
6. Amortization of special costs at Shawnee	200,000
7. Credit for Federal income tax from bondholders	(174,000)
Total	412,000
Cost to Government with TVA adjustments	20,981,000
Additional cost to Government based on TVA adjustments	5,567,000

[1] If coal can be delivered by barge to Memphis site of Dixon-Yates, 55 miles downstream from Fulton, at same cost as at Fulton (as assumed by Dixon-Yates), then this cost would be reduced by $309,000.

Mr. ANDERSON. The memorandum of the General Accounting Office contained also some comments giving reasons for not accepting the TVA adjustments and I think it no more than fair that these comments should be reproduced in the RECORD at this point and I, therefore, ask unanimous consent that they may be so printed.

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

COMMENTS

REASONS FOR NOT ACCEPTING TVA ADJUSTMENTS

Adjustment 1: Costs under the Dixon-Yates proposal are based on 30-year amortization of its bonds and a direct comparison with Fulton-Johnsonville combination can be made only on same amortization.

Adjustment 2: The Dixon-Yates proposal was predicated on an estimated plant cost, using 4 units, with estimated plant efficiency over the 25-year period of 9,917 B. t. u.'s per kilowatt-hour. To obtain a realistic comparison it seemed equitable and proper to assume the same number and size of units and the same thermal efficiency.

Adjustment 3: The adjustment for Federal income taxes from bondholders was not included because the amount cannot be readily determined and in many respects is an intangible figure.

Adjustment 4: The Dixon-Yates proposal is predicated on a firm delivery of 600,000 kilowatts with 1 generating unit (of a 4-unit plant) out of service, the necessary reserve capacity to be supplied from the systems of the sponsoring companies. Normal practice on many utility systems is to determine system requirements on the basis of an outage of the largest generating unit.

Adjustment 5: With increasing loads in the Memphis area, these losses would be diminished.

Adjustment 6: These costs are based on the assumption of a continuation of the present Paducah contract after the present term with an adjustment to the demand charges for special costs incurred during construction of the Shawnee plant.

Adjustment 7: See explanation for adjustment 3.

Mr. ANDERSON. One further comment would seem to be desirable. The cost used by the General Accounting Office in this analysis is based upon coal at 19 cents per million British thermal units delivered at Fulton and East Memphis.

Before we go any further with this discussion, it might be well to pause here and point out an additional factor. Dixon-Yates, so far as we are advised, does not have any contract for the purchase of coal at East Memphis. Mr. Dixon and Mr. Yates are merely two individuals who have submitted a proposal, and, so far as I have been able to learn, have no contracts for the fuel to be supplied at West Memphis.

On the other hand, TVA is a going business, and it does have firm contracts which would be applicable to the delivery of coal to the Fulton plant. They know what their coal costs them now and they can make a fairly accurate estimate as to what their coal will cost them by 1957.

In the tabulation used by the Acting Comptroller General of the United States and by the Bureau of the Budget coal is figured at the cost of 19 cents per million British thermal units for both Dixon-Yates and TVA. This puts them both on equal terms when in fact they are not as of today. Bear in mind that TVA, as a large buyer of coal, has a contract under which the coal is currently costing them 18.4 cents rather than 19 cents and by the terms of their present contract the coal cost per million British thermal unit at Fulton by 1957 should be between 15 and 16 cents.

Many Members of the Senate have asked me how the Atomic Energy Commission ever got in the business of guaranteeing the investments of private industry for the generation of power to be supplied to atomic energy plants. It seems to me that it would be worthwhile to quote a few words at least from the report, No. 676, in the House of Representatives accompanying H. R. 4905.

In the background information carried on page 2 of the report there are these words:

> In order to provide the Commission plants with this power, the AEC has negotiated with 3 electric utilities who are willing to invest over $1 billion in new plants, major expansions to existing plants, and in new transmission lines. These facilities will have a generating capacity of over 5.5 million kilowatts. This is enough power to supply the needs of the combined States of Ohio, Tennessee, and Kentucky, all of the needs of the New England States, 35 percent of the needs of Great Britain, or 50 percent of the needs of Canada. This capacity will be 6 percent of the entire capacity of the United States. The power will be supplied as follows:
>
> Oak Ridge, 1,730,000 kilowatts from Tennessee Valley Authority.
>
> Paducah, 1,205,000 kilowatts from Tennessee Valley Authority; 735,000 kilowatts from Electric Energy, Inc.
>
> Portsmouth, 1,800,000 kilowatts from Ohio Valley Electric Co.
>
> The delivered price of the power to the Commission wil be about 4 mills per kilowatt-hour, an extremely low price for electric power generated from coal.
>
> This power is to be used for the operation of the gaseous diffusion plants at the three sites specified.

I skip the remainder of the paragraph from which I have been quoting and begin quoting those portions of the report which deal with cancellation and what would happen in the event of cancellation and why it is necessary to protect private contractors against the hazards of cancellations:

> The estimated normal growth of power use in the three geographic areas is about 6 percent per year, and these suppliers probably could not immediately absorb the extra capacity. Therefore, some adequate cancellation payment provision is needed in the event that the Government should cease to purchase the power from these facilities.
>
> The AEC needs authority to commit the Government to cancellation charges. Under the proposed contracts, these charges can amount to a maximum of $340 million. Under the Supplemental Appropriation Act of 1953, cancellation payments for the new facilities are specifically authorized but limited to $57 million. The utilities cannot enter into the power contracts with this limit on cancellation charges, since they cannot arrange financing with such a small cancellation charge guaranteed. The maximum charge of $340 million is figured on a most unlikely set of circumstances, namely, having each new gaseous diffusion plant shut down immediately upon the completion of the new generating facilities. The more likely cancellation charges are considerably less than the above.

The language which I have included from the report shows what the Joint Committee on Atomic Energy was seeking to recommend and why it was doing it. These plants were to cost more than $1 billion. The Atomic Energy Commission did not have the authority to commit the Government to the cancellation charges. Without the specific language of the amendment under discussion the Atomic Energy Commission would have been in violation of the so-called antideficiency statute.

I do not desire to take a long time relating history but at the time this matter was before the Joint Committee, the Atomic Energy Commission was really under the gun both timewise and moneywise. The supplemental appropriation act authorized cancellation payments of only $57 million and no private entrepreneur could be found who wanted to risk his venture capital in the construction of $1 billion worth of plants and face the possibility that a change in the program or the development of a new type of nuclear fuel would make outmoded the gaseous-diffusion processes and hence render unnecessary the need for such an enormous installation.

On the other hand, the Congress was insistent that the Atomic Energy Commission and particularly the thermonuclear development should move ahead and the Atomic Energy Commission was under Presidential mandate to build a hydrogen bomb and to be able to keep it in production once it was developed. Therefore, the Atomic Energy Commission, the Joint Committee on Atomic Energy and the Congress rose to their responsibilities and passed legislation which made it possible for private enterprise to invest its money and its talent in assisting in this gigantic defense program.

The junior Senator from New Mexico has no intention of leaving this point without reading into the RECORD item after item to show that the members of the committee were hesitant to act upon legislation which did not seem to provide limits which might be exercised as to scope and money. Let us look at some of these declarations.

From the hearings on H. R. 4905, at page 12, I ask unanimous consent to include a question asked by the Senator from Colorado [Mr. MILLIKIN] and the answer by Mr. Boyer, the General Manager of the Atomic Energy Commission, pointing out: "The only thing they do not want us to do is to go into the retail sale of power."

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

> Senator MILLIKIN. Let me put a case to you that we touched on a while ago. Supposing that the next day after cancellation we have another installation someplace in the area within feasible distance of this power source, and the power is at once diverted to that other installation. Obviously, they have not lost any power market.
>
> Mr. BOYER. You are speaking now of a Government installation?
>
> Senator MILLIKIN. That may not be a good analogy, but let's assume it.
>
> Mr. BOYER. We have the right to sell to other Government installations. I believe that is correct. I would like to check with Mr. Cook.
>
> Mr. COOK. Yes.
>
> Mr. BOYER. We have the right to sell to other Government installations. The only thing they do not want us to do is to go into the retail sale of the power.

Mr. ANDERSON. Mr. President, Representative HINSHAW realized that the cancellation charges might be too great even for an emergency situation, and suggested that we might buy out their $20 million equity, assume the Government-guaranteed bonds, and own the property. He found that private enterprise would not stand for that. Here, from pages 12 and 13 of the hearings, are the answers. I ask unanimous consent that they be printed in the RECORD at this point.

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

> Representative HINSHAW. How would it be if an additional safeguard should be placed in the language to give you the right to pay that $20 million equity capital and assume the bonds and own the property?
>
> Mr. BOYER. They will not agree to that.
>
> Representative HINSHAW. Are you sure they won't agree to it?
>
> Mr. BOYER. You mean to take over the unamortized portion of the plant and paying the outstanding costs?
>
> Representative HINSHAW. No. Take over their equity capital and assume their bonds and, of course, acquire the property.
>
> Mr. BOYER. You are talking about recapture, about paying the unamortized cost of the investment? We have asked to do that and have not been given that right.
>
> Representative HINSHAW. I am not talking about doing that. I am talking in the event of cancellation about taking over their equity capital, saving them from any losses, reimbursing them 100 percent on the equity capital, and then, of course, that would also mean an assumption by the Federal Government of bonds, would it not?
>
> Mr. BOYER. That is right. They would not agree to that.

The answer is this, Mr. HINSHAW, and I think it is logical: Here is this big potential

powerplant down in their system, and they would like to have the control of that.

Representative HINSHAW. Of course, but then you have a total estimated AEC cancellation cost in here of $139,630,000.

Mr. BOYER. That is right.

Representative HINSHAW. And it is nearly all the cost of the plant.

Mr. BOYER. No, the cost of the plant——

Representative HINSHAW. Half of it anyway.

Mr. BOYER. The investment here is roughly about $400 million.

Mr. ANDERSON. Mr. President, we have been hearing a great deal about windfall profits on housing deals. The senior Senator from Colorado [Mr. JOHNSON] sensed that there might be some windfall profits in this private enterprise deal, and from page 16 of the hearings, I quote his question, and Mr. Boyer's answer:

Senator JOHNSON. Suppose Du Pont goes in there the day after you cancel the contract and they sell all their power to Du Pont. They have received the money from you that they were supposed to have lost, which they have not lost, and they are getting from Du Pont the cost of the operation. So they have a windfall, have they not?

Mr. BOYER. Right.

Mr. President, in other words, they could sell every kilowatt of power at exactly the same price at which the Government had intended to buy it, and they would still get $57 million from the Government, and still sell the power and still get all that money. If that is not a windfall of substantial size, I do not know what it is. In the case of the two plants already built it could run to $400 million.

I say that before authority is given for the plan of the Dixon-Yates group, if such authority is to be given, we ought to find out what they are going to do in this matter. If they are going to sell this power, in case there is a cancellation by the Government, at the same rate the Government expected to pay for it, they are not financially damaged because of the Government cancellation, and they should not be able to receive the $40 million of their $100 million. It is not their $100 million, because they put up only $5 million. The rest of the money would be obtained because of the Government guarantee. They could sell every kilowatt of the energy at prices at which they expected to sell it to the Government, and get all the money from the new purchaser, and $40 million besides, on their $5 million investment, on which they received a return of 9 percent, with the taxes paid to the Government. If that would not be a windfall, I do not know what it would be.

Let us consider this statement by the General Manager of the Atomic Energy Commission at the time this legislation was being considered, which appears at page 22 of the hearing:

Mr. BOYER. If you notice the language we are proposing: "The Atomic Energy Commission is authorized in connection with the construction and operation of the Oak Ridge, Paducah, and Portsmouth installations of the Commission, without regard to section 3679 of the Revised Statutes."

In other words, it is limited to the power requirements for those three installations. It is not a wide-open authority.

Then, Mr. President, let us notice how careful Representative HINSHAW was, as reported at pages 36 and 37 of the hearings. I ask unanimous consent that the excerpt from the hearings be printed in the RECORD at this point as a part of my remarks.

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

Representative HINSHAW. Mr. Chairman, this appears to be an authorization to the Atomic Energy Commission existing in law from now on to enter into new contracts and revise contracts, and so forth, in connection with supplying of power for any activity the Commission undertakes.

I do not think that the committee is ready to go that far, that they have been considering the power situation in the vicinity of Portsmouth, and also in the Tennessee Valley, but I doubt that the committee is ready to give a carte blanche over the entire system as being presently operated by the Atomic Energy Commission, and to be unlimited as to the dates, the times in which such contracts can be entered into, and their termination, the cancellation costs or anything else.

That is all I have to say. I personally would object to such legislation on that ground.

Chairman COLE. I take it that your point is that you object to the omission of specific reference which was contained in the bill as originally introduced to the granting of this authority in connection with Oak Ridge, Paducah, and Portsmouth.

Representative HINSHAW. Certainly. And also a time limit.

Chairman COLE. Let us get through with one thing at a time. Would your objection be met if those specific installations were again enumerated?

Representative HINSHAW. I think the legislation ought to contain a limitation that it applies to these particular contracts that are to be issued and which have been brought before the committee and the committee has had a chance to look at and criticize. That is not saying anything about any future contracts that may be entered into.

The committee has, or will, I presume, by this action given approval to these contracts that have been entered into. As to future contracts and termination costs, I think we would be under very great criticism on the part of the Congress if we should enter into them in blank.

Mr. ANDERSON. Representative VAN ZANDT, who, with Representative HINSHAW, was one of the early members of the Joint Committee on Atomic Energy, was not satisfied. He wanted to tie down the promise that the law would be used for providing power for Oak Ridge, Portsmouth, and Paducah only. Therefore he tried to obtain answers to his questions and to develop a legislative history. I ask unanimous consent that his questions and the answers be included in the RECORD at this point.

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

Representative VAN ZANDT. Mr. Chairman, I wonder if a member of the staff could tell us in a few words what section 3679 of the revised statutes provides?

Chairman COLE. Mr. Boyer can answer that.

Mr. BOYER. That is the antideficiency act, which says you shall not enter into an obligation without the funds to pay for the obligations you assume.

Representative VAN ZANDT. This bill would set those limitations aside?

Mr. BOYER. The idea is to have language here which would satisfy the contractor and the insurance companies, and not have to tie up the large sums that might be required to cover the cancellation.

Representative VAN ZANDT. Is there anything in the basic Atomic Energy Act that provides that you bring these contracts here to Capitol Hill for review by this committee?

Mr. BOYER. Well, we have always been faced with the problem of getting the money for these contracts that we execute.

Representative VAN ZANDT. That would be reviewed by the Appropriations Committee?

Mr. BOYER. That is right.

Representative VAN ZANDT. This committee would also make a review of it in the preliminary study we make of the appropriation requests before they go to the Appropriations Committee?

Mr. BOYER. Yes, sir. The record will show that we pointed out the last time we were up here that we are here at the suggestion of Senator SALTONSTALL and Congressman PHILLIPS, and we introduced this language before Mr. PHILLIPS' committee, and both he and Mr. SALTONSTALL felt that it should be referred to this committee since it was essentially legislation and not appropriation of funds.

Representative VAN ZANDT. The reason I asked the question was in connection with Mr. HINSHAW's statement on the bill, that we have actually reviewed every contract that you make.

Mr. BOYER. No; you do not review every contract we make, because that would keep the committee rather busy.

Representative VAN ZANDT. I mean contracts of this size, because if my memory serves me correctly, you did come up here and discuss these contracts with us.

Mr. BOYER. We came up and discussed with you the need for the power and this 25-year contract to avoid the investment of large sums of Federal money for powerplants.

Representative VAN ZANDT. Would not you do that in the future?

Mr. BOYER. I think this type of contract we have to come up and get the funds appropriated or language.

Representative VAN ZANDT. When Mr. HINSHAW made his point, I thought probably his point would be taken care of by the fact that we do have a chance to review these contracts because you are bringing them to us and you ask our opinion of them.

Senator PASTORE. Does this review take place before the contract is consummated or after it is consummated?

Mr. BOYER. What Mr. VAN ZANDT is saying is that, in effect, you are reviewing it now, because the last time we appeared before the committee, we went into considerable detail as to the nature of the cancellation portions of the contract.

Representative HINSHAW. If this bill is passed, it is the last time we will review it, and there will never be any other review or requirement for review in 100 years.

Chairman COLE. Not necessarily.

Representative HINSHAW. There is no limitation on that act.

Chairman COLE. You are forgetting the provision of the law which says the Commission shall keep the committee informed on everything it does.

Representative VAN ZANDT. Why not write it in here, "subject to review of the committee"? We write it in in other bills, in the Armed Forces Committee.

Chairman COLE. I am sure the Commission does not have any objection to reinserting specific reference to Oak Ridge, Paducah, and Portsmouth.

Mr. BOYER. None whatever.

Mr. ANDERSON. I also ask unanimous consent that a further excerpt from page 41 of the hearings, be printed in the RECORD at this point.

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

Representative VAN ZANDT. Mr. Chairman, could we insert language in this bill that would make this particular type of a contract subject to review by this committee?

Dr. SMYTH. Mr. VAN ZANDT, you have written in Oak Ridge, Paducah, and Portsmouth, and any further extension of those plants would certainly presumably come to this committee for general discussion and approval. It does not appear to me to be necessary or desirable to try to get the specific contracts into the bill.

Representative VAN ZANDT. In the future we may have other installations, or another Paducah.

Dr. SMYTH. Yes, but as I understand it, the way the bill is now modified, Oak Ridge, Paducah, and Portsmouth are to be inserted; is that not right?

Chairman COLE. Yes.

Representative VAN ZANDT. Then the bill as written will restrict it to Paducah, Oak Ridge, and Portsmouth.

Mr. ANDERSON. Mr. President, I have included this material only for the purpose of making it available in somewhat easier form for Members of the Senate when they start the discussion of this project in the debate tomorrow.

I think it is extremely important that a great deal of care be utilized in the consideration of the bill. Of course, there are many other matters which will require careful consideration, but surely we must be careful not to set up any cancellation rights which will permit people who have invested $5 million to recover $40 million in damages from the Government, when they have not been financially damaged. I believe it is an extremely important point to which Congress, I am sure, will wish to devote a great deal of attention.

RECESS

Mr. WATKINS. Mr. President, in accordance with the order previously entered, I move that the Senate stand in recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 8 o'clock and 38 minutes p. m.) the Senate took a recess, the recess being, under the order previously entered, until tomorrow, Wednesday, July 14, 1954, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate July 13 (legislative day of July 2), 1954:

IN THE AIR FORCE

The following named officers for temporary appointment in the United States Air Force under the provisions of section 515, Officer Personnel Act of 1947:

To be major generals

Brig. Gen. George Ferrow Smith, 380A, Regular Air Force.

Brig. Gen. John Walker Sessums, Jr., 489A, Regular Air Force.

Brig. Gen. Wycliffe Eugene Steele, 491A (colonel, Regular Air Force), United States Air Force.

Brig. Gen. Floyd Bernard Wood, 500A (colonel, Regular Air Force), United States Air Force.

Brig. Gen. Thetus Cayce Odom, 554A (colonel, Regular Air Force), United States Air Force.

Brig. Gen. Millard Lewis, 561A (colonel, Regular Air Force), United States Air Force.

Brig. Gen. Joe William Kelly, 612A (colonel, Regular Air Force), United States Air Force.

To be brigadier generals

Col. James Keller DeArmond, 257A, Regular Air Force.

Col. John Gordon Fowler, 477A, Regular Air Force.

Col. Norman Delbert Sillin, 501A, Regular Air Force.

Col. James Presnall Newberry, 530A Regular Air Force.

Col. Donald Linwood Hardy, 618A, Regular Air Force.

Col. Laurence Browning Kelley, 651A, Regular Air Force.

Col. Harley Sanford Jones, 828A, Regular Air Force.

Col. Lester William Light, 887A, Regular Air Force.

Col. Jermain Ferdinand Rodenhauser, 933A, Regular Air Force.

Col. Jack Roberts, 1134A, Regular Air Force.

Col. Noel Francis Parrish, 1143A, Regular Air Force.

Col. Charles Milton McCorkle, 1224A, Regular Air Force.

Col. Bertram Cowgill Harrison, 1425A, Regular Air Force.

Col. Edwin Shepard Chickering, 1474A, Regular Air Force.

Col. Harold Ernest Watson, 1520A, Regular Air Force.

Col. Kenneth Hodder Gibson, 1775A, Regular Air Force.

Col. Keith Karl Compton, 1849A, Regular Air Force.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 13 (legislative day of July 2), 1954:

FOREIGN OPERATIONS ADMINISTRATION

To be members of the Public Advisory Board, Foreign Operations Administration

Clement D. Johnston, of Virginia.
Mrs. Helen Chapman, of Illinois.
Harold C. McClellan, of California.
Mrs. Percy Maxim Lee, of Connecticut.

ATOMIC ENERGY COMMISSION

Herbert Bernard Loper, of Nebraska, to be Chairman, Military Liaison Committee to the Atomic Energy Commission.

COLLECTOR OF CUSTOMS

Merrill D. White, of Florida, to be collector of customs for customs collection district No. 18, with headquarters at Tampa, Fla.

HOUSE OF REPRESENTATIVES

TUESDAY, JULY 13, 1954

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

Eternal and ever-blessed God, may our life in the hours of this new day be radiant with the realization of Thy presence and power which we so greatly need.

Grant that we may have the leading of Thy wise and gracious spirit in all our plans and labors to solve the difficult and perplexing problems of human relationships.

May we never go forth in our own wisdom and strength, but make us eager to seek divine counsel and guidance.

Inspire us with a confidence and courage, which knows no defeat, as we daily dedicate ourselves to the task of enthroning the spirit of peace and good will among the nations of the earth.

Hear us in Christ's name. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Ast, one of its clerks, announced that the Senate has passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 7664. An act to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license issued pursuant to the Federal Power Act.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 190. An act to establish a basic administrative workweek and pay periods of two administrative workweeks for postmasters, officers, and employees of the postal field service, and for other purposes;

S. 3028. An act to require the Postmaster General to reimburse postmasters of discontinued post offices for equipment owned by the postmaster; and

S. 3655. An act to provide that the Metropolitan Police force shall keep arrest books which are open to public inspection.

The message also announced that the Senate insists upon its amendments to the bill (H. R. 6725) entitled "An act to reenact the authority for the appointment of certain officers of the Regular Navy and Marine Corps," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. SALTONSTALL, Mr. CASE, Mr. DUFF, Mr. BYRD, and Mr. STENNIS to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendments to the bill (H. R. 9242) entitled "An act to authorize certain construction at military and naval installations and for the Alaska Communications System, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. SALTONSTALL, Mr. CASE, Mr. DUFF, Mr. BYRD, and Mr. STENNIS to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3378) entitled "An act to revise the Organic Act of the Virgin Islands of the United States."

SPECIAL ORDERS GRANTED

Mr. ABERNETHY asked and was given permission to address the House tomorrow for 45 minutes, at the conclusion of the legislative program and any special orders heretofore entered.

Mr. BYRD asked and was given permission to address the House tomorrow for 20 minutes, at the conclusion of the legislative program and any special orders heretofore entered.

TAKING THE GOVERNMENT OUT OF BUSINESS

Mr. OSMERS. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. OSMERS. Mr. Speaker, the House Committee on Government Operations will hold 4 days of hearings, beginning on Wednesday of this week, on bills which have been introduced by the chairman [Mr. HOFFMAN of Michigan] and by me for the express purposes of establishing a policy against Government being in competitive business and of providing a method under which the Federal Government's encroachment into the fields of private enterprise may be terminated, or at least held within reasonable and sensible bounds and proportions.

Mr. HOFFMAN's bills are H. R. 9834 and 9835. My bill is H. R. 8832. The aim and intent of all three is the same; the mechanics of operation differ in slight degrees.

Mr. Speaker, the preservation of our free economy is dependent, to a very considerable degree, upon the elimination of the tax-free competition that has been established over the years by the Federal bureaucracy, and that continues to grow and expand because bureaucracy itself never sleeps and never dies.

The Subcommittee on Intergovernmental Relations of the House Committee on Government Operations has spent years in studying this situation. We have uncovered astonishing and abominable invasions of business by Government financed and operated enterprises—and yet we have only scratched the surface and we know it. You might think, Mr. Speaker, that the mammoth Federal budget would disclose these business investments and expenditures. It does nothing of the sort—and I doubt if we in Congress will ever know the extent of the Federal commercial and financial operations unless a bill is passed requiring the various agencies to report fully each year.

Nor shall we be able, in my opinion, Mr. Speaker, to put a halt to the constant expansion of Government in business until a reviewing board, such as I have suggested, is established with powers to watch and to veto.

The chief reason for taking government out of business is to protect and encourage the taxpaying businessmen—big and little—who make the Federal Government possible through tax payments. Second, if we sell all of Government's businesses, as we have sold the Mississippi Barge Lines and the Muscatine alcohol plant, we shall get a great sum of money which can be used to reduce the national debt and cut, by half a billion dollars a year or more, the interest payments that the taxpayers now make on the debt. Third, we shall collect over a billion dollars a year in additional income taxes from the companies that take over these Government-owned and Government-supported affairs. And fourth, we shall save hundreds of millions of dollars in annual appropriations to these nontaxpaying, tax-eating activities.

Mr. Speaker, I commend your attention and that of the Members, press and public to the testimony that will be given by representatives of labor and business at the Government Operations Committee's hearings beginning on Wednesday. You will hear the great American free enterprise system speaking, the system ot which this administration has pledged its support.

DUTIES AND FUNCTIONS OF SMALL BUSINESS ADMINISTRATION

Mr. HILL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. HILL. Mr. Speaker, when the House on yesterday, with its deep concern for the interests of small business, passed and sent to the Senate H. R. 9144 to amend section 24 of the Federal Reserve Act, as amended, it was quite apparent to me that many members of this body were not fully informed of the functions and activities of the Small Business Administration. Statements were made, no doubt in good faith, and I do not question any one's sincerity, which were at variance with the facts and, in the interest of keeping the record straight, I have overnight obtained official figures and facts which I would now like to present to the House very briefly.

While there is great interest in the financial assistance function of the Small Business Administration, it should be remembered that this agency, as required by law, has other duties which it is performing and, I believe, performing very well within the limitations of the appropriations. In addition to financial assistance, the Small Business Administration maintains a nationwide service in obtaining for small business a fair share of Government orders for materials and supplies for the Department of Defense and the so-called civilian agencies of the Government. The Small Business Administration, pursuant to the mandate carried in the law, provides a nationwide service in management and technical aid to business firms. Both of these functions—Government procurement and management assistance—are, as every Member of this body knows, very important toward keeping our national economy on an even keel and distributing prosperity. Of course it is an accepted function of the Federal Government to disseminate knowledge and that is what the Small Business Administration is doing.

Now, regarding the financial-assistance function of the Small Business Administration: I have here the latest figures, and may I say, parenthetically, that in a discussion of this kind it is not uncommon for important figures to be overlooked and sometimes aggregate figures are lost in the great array of figures. The figures I am going to give this body came to me this morning directly from Mr. Wendell B. Barnes, the Administrator of the Small Business Administration.

The figures he has furnished me show that the Small Business Administration as of July 8, 1954, had taken action on more than 1,800 loan applications.

The figures show further that the Small Business Administration as of July 8 had approved 515 business loans for $30,145,000.

Of the loans approved, 340 loans, totaling $20,923,000, are bank-participation loans, and 175 loans, totaling $9,222,000, are direct loans.

In addition, the Small Business Administration had taken action on 195 disaster-loan applications, and as of June 30 the agency had made disbursements on 93 disaster loans, totaling $386,011.

The Small Business Administration has been active in making disbursements on the small-business loans it has approved. The figures through July 8 show that disbursement has been made on 126 loans for a total of $6,506,415.

Of these, 45 were direct loans, for a total of $2,751,803; and 68 were bank-participation loans for a total of $3,754,612.

So much for the figures themselves. Now, I should like to say just a few words about the meaning of them.

In the first place it should be said that the Small Business Administration did not begin receiving loan applications until last October, and it was not until the first of this year that its loan program was in full operation.

There has been some criticism of the Small Business Administration because of the time that has elapsed between the approval of a loan application and the final closing and disbursing of the funds.

With regard to this criticism, I should like to say that anyone familiar with banking and business operations knows that no prudent businessman is going to draw down the money he has made arrangements to borrow until he actually needs it.

It would be wasteful for him to incur interest charges on borrowed funds until he is ready to use those funds. Therefore it is obvious that there is not necessarily any significance in the time that may elapse between tentative approval and actual closing.

You will note from the figures on loan approvals that I quoted a moment ago, that two-thirds of the loans approved by the Small Business Administration are bank-participation loans.

With regard to these loans, the banks themselves, and not the Small Business Administration, close the loans and make the disbursement. In many instances, the banks advance the needed funds on a short-term basis after tentative approval and before closing of the SBA loan, and neither the bank or its customer is then in any particular hurry for the loan closing which is under the bank's control.

So you see that the time it takes to close a loan after it has been approved by the Small Business Administration is not always under the control of the agency.

The truly significant thing with regard to the Small Business Administration's

loan program, to my way of thinking, is this:

The Agency is stepping up its action on its lending program and has made a creditable record in acting on more than 1,800 applications.

Of course, not all loan applications can be approved. The law itself requires that only sound loans shall be made, in cases where there is good chance of repayment.

It takes just about as much work for the Small Business Administration and its small but efficient staff to process an application that is declined, as it does one that is approved.

Finally, I want to make note of one more fact that to me shows that the Small Business Administration is doing a good job.

Recently the Small Business Administration delegated authority to its Regional Directors to make loans up to $50,000 on their own authority in cases where there is at least 25 percent bank participation and where at least half of this bank participation represents new money.

Within 24 hours after this delegation of authority was approved by the Small Business Administrator, the Agency's Philadelphia Regional Office had approved a loan for $50,000 to a small firm, in which a bank had agreed to take 50 percent participation.

Mr. Speaker, in conclusion, from the brief summary of activities of the Small Business Administration which I have given, I believe it will be agreed by fair-minded persons that the Small Business Administration, with the funds and personnel provided by the Congress, has done and is doing an excellent job.

SPECIAL ORDER GRANTED

Mr. EBERHARTER asked and was given permission to address the House for 15 minutes today, following the legislative program of the day and the conclusion of special orders heretofore granted.

HEALTH SERVICE PREPAYMENT PLAN REINSURANCE ACT

Mr. ALLEN of Illinois. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 623 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 8356) to improve the public health by encouraging more extensive use of the voluntary prepayment method in the provision of personal health services, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill, and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the 5-minute rule. It shall be in order to consider without the intervention of any point of order the substitute amendment recommended by the Committee on Interstate and Foreign Commerce now in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit with or without instruction.

Mr. ALLEN of Illinois. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, I rise to urge the adoption of House Resolution 623, which will make in order the consideration of the bill (H. R. 8356) to improve the public health by encouraging more extensive use of the voluntary prepayment method in the provision of personal health services.

House Resolution 623 provides for an open rule, waiving points of order, and allows for the consideration of the committee substitute amendment as an original bill. Two hours of general debate on the bill itself are provided.

Mr. Speaker, H. R. 8356 would provide for the establishment of a health reinsurance program in the Department of Health, Education, and Welfare. The bill would also provide for the creation of a reinsurance fund and would authorize a repayable appropriation of not to exceed $25 million to provide advances of working capital for the fund. This $25 million would be available for the first 5 years of the program.

According to the report, Mr. Speaker, the fund would be built up over a period of time from reinsurance premiums and from earnings of the fund. Reinsurance would be available, on a strictly voluntary basis and upon payment of a reinsurance premium, to private insurance companies or voluntary nonprofit health associations.

This whole proposal is designed to encourage private insurance organizations to experiment in providing broader voluntary health insurance protection to more people. The bill would also provide for technical advisory and informational services to health service prepayment plans.

Mr. Speaker, this bill has had its principal provisions approved by the Department of Health, Education, and Welfare, the Department of Agriculture, the Department of Labor, the Federal Trade Commission, and by the President himself. Outside of the field of Government, it has also been approved by such well-known insurance companies as Mutual Life Insurance Co. and the Connecticut General Life Insurance Co., of Hartford.

The Bureau of the Budget has stated that the bill, if passed, would be in line with the program of the President.

Mr. Speaker, H. R. 8356 represents a new idea in the field of improving the health of the American people. It is a bill that should be adequately discussed by the Congress in order that we all may have a clear idea of just what is entailed in the full development of a program such as is contained in this bill. I hope that the rule will be adopted so that we may fully discuss this bill.

Mr. Speaker, I yield 30 minutes to the gentleman from Texas [Mr. RAYBURN].

Mr. RAYBURN. Mr. Speaker, I yield such time as he may require to the gentleman from Virginia [Mr. SMITH].

Mr. SMITH of Virginia. Mr. Speaker, this seems to be quite a hurry-up kind of measure here this morning. It proposes to launch the Federal Government into the insurance business. I had expected to make some remarks about it because I think it is premature to consider it at this time. I think the House ought to give it very careful consideration. What this bill undertakes to do is to set up a fund of $25 million, which is to be used in connection with the health insurance business. Whether this is a forerunner of socialized medicine, I am unable to predict, but I never saw one of these new agencies set up which did not spread its wings just as far as possible and go from one thing to another. This is the beginning of putting the Federal Government into the insurance business. I do not think it ought to be done. I do not think the House would do it if it were brought up here with mature consideration and if we had time to consider it. But it came before the Rules Committee yesterday afternoon, and here we are, at the end of the session. We have had a year and a half to consider whether you want to put the Federal Government into the insurance business. You have had a year and a half to consider whether you wanted to set up this kind of a bureau and launch the Government into this kind of a new program. I do not call it a New Deal program or a Fair Deal program. I might call it a Republican program. I remember the time when that side of the aisle would hold up their hands in holy horror at any such suggestion that we put the Federal Government into the health insurance business. That is exactly what you are doing. We have not had time to consider this bill. I will warrant there is not 1 Member in 10 in this House who knows a single solitary thing about this bill or what it provides.

Here is a bill that establishes a new bureau, an expensive bureau, which is estimated I understand will cost a million and a quarter dollars a year for its administration alone, and it sets up a reinsurance fund of $25 million of the taxpayers' money and launches you full-fledged into the insurance business. Is that what you want to do? If that is what you want to do, of course you have the votes over here to do it, but I think you ought to stop, look, and listen a little bit.

This bill is opposed by the American Medical Association. They do not think the Government ought to go into the business of insuring the health of the people. It is a reinsurance bill. It looks to me like what it really is, is a subsidy to the insurance companies, in order to induce them to insure bad risks, because they expect them to insure against things that they would not ordinarily insure under the circumstances. If you need any more reinsurance—and that is what this is—a reinsurance bill, just remember this, that you have got private companies, you have got private capital to the extent of something like

$2 billion in private insurance companies that are engaged in just the business that you are proposing to place the Federal Government in competition with. If that is what you want to do, all right, go ahead.

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

Mr. SMITH of Virginia. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. The gentleman just said something that I would like to comment on. The gentleman said we would put the Federal Government in competition with private insurance. Insofar as this bill is concerned, and to emphasize the need for studying it, I have heard just the opposite of that. I have heard that this bill is just to bail out a lot of insurance companies, and insure some insurance companies against any loss. There are so many conflicting impressions throughout the country concerning this bill that it seems to me it is being pushed upon us without proper consideration and study. I have also been informed, whether the information is reliable or not—I do not know whether the committee has studied it—that the rates that will be charged will be of such high nature that the employees who are reinsured under this bill will pay just as much as they would to private insurance companies, and the excess premiums will be for the benefit of the insurance companies. I am not making those charges, but just bearing out what the gentleman said. I do not think the committee has given enough study to this subject to pass a bill of this nature.

Mr. SMITH of Virginia. The gentleman's statement, for which I am grateful, is enlightening. Here is the Government launching upon a new program, launching upon a new bureau, when we do not know what we are doing, and the House does not know what it is all about. The gentleman says this may be to bail out some insurance companies. I say it is to put the Government in competition with insurance companies. The answer to that question, I think, is this, that there are all kinds of insurance companies. There are good sound solvent reinsurance companies who are amply able to reinsure every risk that is insurable or that ought to be insured. On the other hand, you have fly-by-night insurance companies—and I may say there are many of them—that would welcome this opportunity to unload their burden on the taxpayers of the United States.

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

Mr. SMITH of Virginia. I yield.

Mr. MASON. Is the kernel of this bill a proposition for the Federal Government to underwrite the insurance companies in proposed experiments they may carry on which are risky, which they ordinarily would not carry on unless the Federal Government backed them up and guaranteed them?

Mr. SMITH of Virginia. That is exactly what it is; and I think the gentleman has pretty well expressed the language that is contained in the preamble of the bill itself.

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

Mr. SMITH of Virginia. I yield.

Mr. EBERHARTER. I just want to add this comment that there are very many differences in rates on insurance, some companies perhaps charging but half of what other companies charge. This matter of rates has been studied for many years, yet in the short time the Committee on Interstate and Foreign Commerce has had this matter under consideration. It seems to me that it would be impossible that they could arrive at a rate that would be fair to both the insurance company, the reinsured, and the individuals.

Mr. SMITH of Virginia. May I say to the gentleman in response to his comment I think that is taken care of in the bill, because the bill provides and authorizes the Secretary of Health, Labor, and whatever you have to employ 10 very high-priced experts on insurance, and they are going to tell the country what to do about it and they are going to tell the Government what to do about it. You are going to spend about $25 million setting up a new bureaucracy.

Mr. EBERHARTER. Let me ask the gentleman if these so-called experts will set the rates, or will Congress have the right to set the rates?

Mr. SMITH of Virginia. They are not only going to set the rates but they are going to advise the insurance business what is good for them and what is not good for them.

Mr. EBERHARTER. It seems to me that we are always getting more experts to handle legislation rather than the Congress.

Mr. SMITH of Virginia. Absolutely, yes; all they want us to do is to pass the enabling act, give them millions of dollars, and the bureaucrats will handle it from there on.

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

Mr. SMITH of Virginia. I yield.

Mr. DONDERO. I have listened with great interest to what the gentleman has had to say. I have always admired him for his forthrightness. Will the gentleman tell the House, if he knows, what is the necessity for this bill?

Mr. SMITH of Virginia. I think you will have to talk with the gentlemen who are proposing the bill. From my standpoint I do not see any necessity for it at all. It is a thing that ought not to be done.

Mr. DONDERO. Is it not another case of injecting the Federal Government into a new field of private industry?

Mr. SMITH of Virginia. Absolutely; there is no doubt about that.

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

Mr. SMITH of Virginia. I yield to the gentleman from New York.

Mr. MULTER. Is it not a fact that the insurance business is one of the biggest free enterprise businesses of the country with billions and billions of dollars of assets? If this is such a good plan why cannot the insurance companies carry it out, invest their own $25 million, rather than have the Federal Government get into it?

Mr. SMITH of Virginia. They have plenty of money to do it with. It is just another case of injecting the Federal Government into private business with the bill to be footed by the taxpayers.

Mr. Speaker, I include in my remarks at this point a telegram from the American Medical Association regarding this bill:

JUNE 29, 1954.

Hon. CHARLES A. WOLVERTON,
Chairman, House Interstate and Foreign Commerce Committee,
House of Representatives,
Washington, D. C.:

This is to make certain that the position of the American Medical Association on H. R. 7700 and H. R. 8356 is understood. We opposed the original H. R. 7700 and we oppose the amended version. On April 26 the association presented its views to the committee on the original H. R. 7700. Again on May 11 we informed you of our views on the amendments you suggested.

First, H. R. 7700 is absolutely unnecessary; private financing is meeting the need. Second, this legislation would put medical practical and medical policies under the domination of lay boards of labor and management. Congress and the public have long been aware that the practice of medicine cannot be allowed to become a political football. It is just as important that the practice of medicine not be relegated to the labor-management bargaining table.

We want to take this opportunity also to tell you that our association's opposition to H. R. 8356, the reinsurance proposal, was reaffirmed by the House of Delegates last week at our convention in San Francisco. Our reasons were presented to your committee in testimony on April 5.

FRANK E. WILSON, M. D.,
Director, Washington Office, American Medical Association.

Mr. ALLEN of Illinois. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The question was taken, and the Chair announced that the ayes appeared to have it.

Mr. SMITH of Virginia. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present. The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 274, nays 88, answering "present" 1, not voting 71, as follows:

[Roll No. 102]

YEAS—274

Abernethy	Bennett, Fla.	Budge
Adair	Bennett, Mich.	Burdick
Addonizio	Bentley	Bush
Allen, Calif.	Berry	Byrnes, Wis.
Allen, Ill.	Bishop	Campbell
Andersen, H. Carl	Boggs	Canfield
Andresen, August H.	Boland	Cannon
Andrews	Bolling	Carnhan
Arends	Bolton, Frances P.	Carrigg
Auchincloss	Bolton, Oliver P.	Cederberg
Ayres	Bonner	Chenoweth
Baker	Bosch	Chiperfield
Bates	Boykin	Church
Battle	Bray	Clevenger
Beamer	Brown, Ga.	Cole, Mo.
Becker	Brownson	Cole, N. Y.
Belcher	Broyhill	Colmer
		Condon
		Coon

Cooper
Corbett
Coudert
Cretella
Crosser
Crumpacker
Cunningham
Curtis, Mass.
Curtis, Mo.
Dague
Davis, Wis.
Dawson, Utah
Deane
Dempsey
Derounian
Devereux
D'Ewart
Donohue
Dorn, N. Y.
Dorn, S. C.
Elliott
Ellsworth
Engle
Evins
Fenton
Fine
Fino
Forand
Ford
Forrester
Fountain
Frazier
Frelinghuysen
Friedel
Fulton
Gamble
Gathings
Gavin
George
Golden
Goodwin
Gordon
Graham
Granahan
Grant
Green
Gross
Gubser
Hagen, Calif.
Hagen, Minn.
Hale
Halleck
Hand
Harden
Harrison, Nebr.
Hart
Harvey
Hébert
Hesselton
Hess
Hiestand
Hill
Hillelson
Hoeven
Hoffman, Ill.
Hoffman, Mich.
Holmes
Holt
Hope
Horan
Hosmer
Howell
Hruska
Hunter
Hyde
Jackson
James
Javits
Jenkins
Jensen
Johnson, Calif.
Johnson, Wis.
Jonas, Ill.
Jonas, N. C.
Jones, Ala.
Jones, Mo.
Judd
Karsten, Mo.
Kean
Kearney
Kearns
Keating
King, Calif.
King, Pa.
Klein
Kluczynski
Knox
Krueger
Laird
Lane
Lanham
Latham
LeCompte
Lipscomb
Lovre
McCarthy
McCormack
McDonough
McIntire
McMillan
Machrowicz
Mack, Wash.
Madden
Magnuson
Martin, Iowa
Matthews
Meader
Merrill
Metcalf
Miller, Calif.
Miller, Kans.
Miller, Md.
Miller, Nebr.
Mills
Mollohan
Morano
Moss
Mumma
Nicholson
Oakman
O'Brien, Ill.
O'Brien, N. Y.
O'Hara, Ill.
O'Hara, Minn.
Osmers
Ostertag
Patterson
Pelly
Philbin
Phillips
Pilcher
Pillion
Poage
Poff
Polk
Preston
Price
Priest
Prouty
Rabaut
Radwan
Rains
Ray
Rayburn
Reams
Reece, Tenn.
Reed, Ill.
Rees, Kans.
Rhodes, Ariz.
Rhodes, Pa.
Richards
Riley
Rivers
Roberts
Robison, Ky.
Rodino
Rogers, Colo.
Rogers, Fla.
Rogers, Mass.
Sadlak
St. George
Saylor
Schenck
Scherer
Scrivner
Scudder
Secrest
Seely-Brown
Selden
Shelley
Sieminski
Simpson, Ill.
Simpson, Pa.
Small
Smith, Miss.
Smith, Wis.
Spence
Springer
Stauffer
Stringfellow
Sullivan
Talle
Thomas
Thompson, Mich.
Tollefson
Van Pelt
Van Zandt
Velde
Vinson
Vorys
Vursell
Wainwright
Walter
Wampler
Warburton
Watts
Westland
Wharton
Whitten
Widnall
Wigglesworth
Williams, N. J.
Williams, N. Y.
Wilson, Calif.
Withrow
Wolcott
Wolverton
Yates
Young
Younger
Zablocki

NAYS—88

Abbitt
Albert
Alexander
Aspinall
Bailey
Bentsen
Betts
Blatnik
Bow
Brooks, Tex.
Brown, Ohio
Buchanan
Buckley
Burleson
Busbey
Byrd
Carlyle
Celler
Clardy
Cooley
Davis, Tenn.
Dawson, Ill.
Delaney
Dies
Dolliver
Dondero
Dowdy
Durham
Eberharter
Edmondson
Garmatz
Gary
Gentry
Gregory
Haley
Hardy
Harrison, Va.
Hays, Ark.
Herlong
Holifield
Ikard
Jarman
Jones, N. C.
Kee
Kelley, Pa.
Kelly, N. Y.
Keogh
Kilburn
Kilday
Kirwan
Lantaff
Lesinski
McCulloch
McVey
Mack, Ill.
Mahon
Marshall
Mason
Multer
Murray
Natcher
Neal
Norrell
O'Brien, Mich.
O'Konski
Passman
Patten
Pfost
Reed, N. Y.
Robeson, Va.
Rogers, Tex.
Rooney
Shafer
Shufford
Smith, Kans.
Smith, Va.
Staggers
Steed
Taber
Teague
Thornberry
Trimble
Tuck
Utt
Wickersham
Williams, Miss.
Wilson, Tex.
Winstead

ANSWERING "PRESENT"—1

Hays, Ohio

NOT VOTING—71

Angell
Ashmore
Barden
Barrett
Bender
Bonin
Bowler
Bramblett
Brooks, La.
Byrne, Pa.
Camp
Chatham
Chelf
Chudoff
Cotton
Curtis, Nebr.
Davis, Ga.
Dingell
Dodd
Dollinger
Donovan
Doyle
Fallon
Feighan
Fernandez
Fisher
Fogarty
Gwinn
Harris
Harrison, Wyo.
Heller
Hillings
Hinshaw
Holtzman
Kersten, Wis.
Landrum
Long
Lucas
Lyle
McConnell
McGregor
Mailliard
Merrow
Miller, N. Y.
Morgan
Morrison
Moulder
Nelson
Norblad
O'Neill
Patman
Perkins
Powell
Regan
Riehlman
Roosevelt
Scott
Sheehan
Sheppard
Short
Sikes
Sutton
Taylor
Thompson, La.
Thompson, Tex.
Weichel
Wheeler
Wier
Willis
Wilson, Ind.
Yorty

So the resolution was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Dingell for, with Mr. Hays of Ohio against.

Until further notice:

Mr. Taylor with Mr. Thompson of Texas.
Mr. Short with Mr. Fisher.
Mr. Bender with Mr. Lucas.
Mr. Angell with Mr. Lyle.
Mr. Scott with Mr. Camp.
Mr. Sheehan with Mr. Long.
Mr. Weichel with Mr. Doyle.
Mr. Wilson of Indiana with Mr. Chatham.
Mr. McConnell with Mr. Morrison.
Mr. McGregor with Mr. Perkins.
Mr. Curtis of Nebraska with Mr. Regan.
Mr. Gwinn with Mr. Sikes.
Mr. Bramblett with Mr. Thompson of Louisiana.
Mr. Bonin with Mr. Willis.
Mr. Hillings with Mr. Ashmore.
Mr. Riehlman with Mr. Brooks of Louisiana.
Mr. Nelson with Mr. Davis of Georgia.
Mr. Miller of New York with Mr. Fallon.
Mr. Mailliard with Mr. Fernandez.
Mr. Kersten of Wisconsin with Mr. Patman.
Mr. Hinshaw with Mr. O'Neill.
Mr. Cotton with Mr. Moulder.
Mr. Harrison of Wyoming with Mr. Barden.
Mr. Merrow with Mr. Sheppard.

Mr. SHAFER changed his vote from "yea" to "nay."

Mr. LANE changed his vote from "nay" to "yea."

Mr. HAYS of Ohio. Mr. Speaker, I have a live pair with the gentleman from Michigan, Mr. DINGELL, who, if present, would have voted "yea." I therefore withdraw my vote of "yea" and vote "present."

The result of the vote was announced as above recorded.

The doors were opened.

PRIEST RAPIDS SITE ON COLUMBIA RIVER, WASH.

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 7664) to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license issued pursuant to the Federal Power Act, with Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 4, line 12, after "thereto.", insert "Power surplus to the requirements of the licensee and other non-Federal marketing agencies (public or private) within the economic marketing area, as may be economically usable to the Federal system, may be made available to and may be purchased by the Bonneville Power Administrator at rates not higher than the rates charged such non-Federal marketing agencies, and under such terms and conditions as shall be mutually agreeable to the licensee and the Secretary of the Interior. Such power may be commingled with power from Federal dams in the Columbia River system for which the Bonneville Power Administrator has been designated marketing agent and shall be sold by the Administrator in accordance with the provisions of the Bonneville Project Act at established rate schedules."

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The Senate amendment was concurred in, and a motion to reconsider was laid on the table.

Mr. MACK of Washington. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. MACK of Washington. Mr. Speaker, the action just taken completes passage by both House and Senate of the Priest Rapids Dam bill. The bill now goes to President Eisenhower for his signature.

This bill will provide Oregon and Washington with more hydroelectric power sooner than this additional power otherwise could be obtained and therefore means much to the future development and prosperity of the Pacific Northwest States.

This bill paves the way for a State of Washington public power agency to obtain a license to build a huge hydroelectric dam at Priest Rapids in eastern Washington.

This dam will be one of the largest on the Columbia River, and when completed will have an installed capacity of 1,200,000 kilovolts.

The Priest Rapids Dam will carry 23 generators each of 53,000 kilowatts. The dam will cost an estimated $364 million.

This bill grants permission to public power agencies of the State of Washington to apply to the Federal Power Commission for a license to build the dam. The bill provides that the public agency which obtains the license to build the dam must prove it is financially able to do so and must guarantee to develop the maximum power capacity of the site.

The bill designates three Washington State power agencies any one of which is eligible to apply for and secure the license to build this power dam. These three agencies are, first, the Grant County PUD; second, an association of about 20 State of Washington County PUD's; and third, the Washington State

Power Commission. All three agencies are expected to apply for the license to build the dam. The Federal Power Commission will determine to which of the three eligible agencies the license to build the dam is issued.

The about 20 public-utility districts which form 1 group that is seeking the license includes the public-utility districts in all 9 southwest Washington counties except Thurston County.

The licensee, when a license is issued, will build the dam with funds obtained by the sale of revenue bonds.

First hearings on the bill just passed were held before the Flood Control Committee of the House of Representative of which I have the honor to be chairman. These hearings extended over many months. The committee went into every angle of the project.

The gentleman from Washington [Mr. HOLMES], the author of the bill, was most helpful in assembling witnesses and a mass of testimony in behalf of the project. All interested departments of the Federal Government testified on the bill.

Support of the bill was bipartisan. While the bill adopted by the committee was introduced by Mr. HOLMES, a Republican, Mr. MAGNUSON, a Democrat, manifest his complete support and urged the committee to approve the Priest Rapids bill and predicted that several years would be gained in getting more electricity for the Pacific Northwest if the bill was approved.

The two Democratic Senators from the State also introduced identical bills.

The bill had the support of all Representatives of the State, of the Washington State Grange, and other organizations of large membership.

We need more electric power in the Pacific Northwest. We need great quantities of this power. We need this additional power as rapidly as we can obtain it in order to keep pace with the growing population and industrial requirements of the region.

Oregon and Washington are the two most rapidly growing States in the Union. Judging the future by what happened during the past 10 years, we may confidently expect that the population of these two States by 1970 will be double what it is today. Our two States will require 3 or 4 times as much electricity by 1970 as is available now.

The Federal Government alone and singlehanded has not and probably will not build Columbia River power dams fast enough to keep pace with the growing power demands of the region. Because of this we need to have all agencies, the Federal Government, the State governments, the public utility districts, the municipal power agencies, and private enterprise all join in building power producing facilities in our region.

For a long time there has been an effort by some to have the Federal Government and the Federal Government alone install all of the power generation in the Pacific Northwest. The result has been that we have continually been threatened with a power shortage. The Federal Government during 18 years when the Democrats were in control of Congress and 4 years when the Republicans controlled Congress, have not provided Federal funds fast enough to keep pace with the growing demand of the region.

Building of the first Federal power dam in the Pacific Northwest, the Bonneville, was started in 1933, 21 years ago. In the 21 years since this first power dam was started, the Federal Government has completed about 3 million kilowatts of installed capacity on the Columbia River and its tributaries. In short, the Federal Government alone and singlehanded in 21 years, has brought into production only a little more than 150,000 kilovolts of hydroelectric power production a year.

The region requires 500,000 kilovolts of new and additional installed capacity each year to keep pace with its growing demands.

This indicates that President Eisenhower is on the right track when he advocates partnership arrangements under which the Federal Government, the States, the county PUD's, the municipal public power district, and private enterprise all unite in producing more power.

What we need in the Pacific Northwest is more power and more power soon. We will get that power sooner by partnership cooperation rather than by the Federal Government undertaking to do it all alone.

The Priest Rapids bill is the first bill to implement this partnership idea in the Pacific Northwest.

It is to be hoped that Washington power agencies eligible to seek the license to build this Priest Rapids Dam will move swiftly once the President has signed the bill.

In obtaining more power production in the Pacific Northwest time is of the essence.

AMENDMENT TO SECTION 24 OF FEDERAL RESERVE ACT

Mr. WOLCOTT. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 3480) to amend section 24 of the Federal Reserve Act, as amended.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the fourth paragraph of section 24 of the Federal Reserve Act, as amended (U. S. C., 1952 edition, title 12, sec. 371), is amended by adding in clause (d) the words "or the Small Business Administration" after the words "the Housing and Home Finance Administrator", and by adding the words "or of the Small Business Act of 1953," after the words "Housing Act of 1948, as amended."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. WOLCOTT. Mr. Speaker, the bill just passed is identical with one the House passed yesterday, H. R. 9144. I ask unanimous consent that the proceedings by which the bill H. R. 9144 was passed yesterday be vacated.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

HEALTH SERVICE PREPAYMENT PLAN REINSURANCE ACT

Mr. WOLVERTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 8356) to improve the public health by encouraging more extensive use of the voluntary prepayment method in the provision of personal health services.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 8356, with Mr. CANFIELD in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. WOLVERTON. Mr. Chairman, I yield myself 24 minutes.

Mr. Chairman, the Committee on Interstate and Foreign Commerce, of which I have the honor to be chairman, has a wide and varied jurisdiction. It covers a field of activities—transportation, communications, security exchanges, interstate power, aviation, medical and scientific research, fair trade, public health, and many others. But, there is no jurisdiction or activity possessed by the committee that appeals to me so greatly as that pertaining to public health. During the many years I have served on the committee it has been my privilege to participate in many accomplishments, the object of which has been to improve the health of our people, and, make more and improved medical facilities available for their care and hospitalization. To enumerate all of these, including the Federal research activities for heart, cancer, mental, nervous and other diseases, would take more time than is at my disposal. Suffice it to say, it has been a work that has been very close to my heart.

During the present session of Congress much has been done to further promote the health of our people. We have passed legislation, first, to provide additional Federal assistance in the construction of nonprofit hospitals; second, to strengthen and improve research activities of the Public Health Service to facilitate its attack on cancer, mental illness, heart disease, blindness, and other serious ailments; third, to provide for the simplification and improvement of the Federal grants-in-aid program to the States to spur the States to greater initiative and responsibility in the handling of their own health programs; fourth, greater Federal aid to the States for the vocational rehabilitation of the physically disabled; fifth, to provide hospitals for the chronically ill and nursing homes for the convalescents.

Today, we have before us for consideration a bill (H. R. 8356) that is intended to encourage private and nonprofit health insurance organizations to offer broader health protection to more

families, by the Federal Government insuring such organizations against the additional risk assumed.

President Eisenhower, in his State of the Union Message to a joint session of the Senate and House, on January 7, 1954, said in connection with this subject of providing adequate health insurance plans the following:

The war on disease also needs a better working relationship between Government and private initiative. Private and nonprofit hospital and medical insurance plans are already in the field, soundly based on the experience and initiative of the people in their various communities. A limited Government reinsurance service would permit the private and nonprofit insurance companies to offer broader protection to more of the many families which want and should have it. On January 18, I shall forward to the Congress a special message presenting this administration's health program in detail.

On January 18, 1954, President Eisenhower submitted his recommendations to improve the health of the American people. They were of a most comprehensive character. However, I will at this time make reference only to that portion of his message that relates to the subject matter of the pending bill, namely, a Federal reinsurance service to encourage the writing of broader and more comprehensive types of health insurance. In this connection he said:

The best way for most of our people to provide themselves the resources to obtain good medical care is to participate in voluntary health-insurance plans. During the past decade, private and nonprofit health-insurance organizations have made striking progress in offering such plans. The most widely purchased type of health insurance, which is hospitalization insurance, already meets approximately 40 percent of all private expenditures for hospital care. This progress indicates that these voluntary organizations can reach many more people and provide better and broader benefits. They should be encouraged and helped to do so.

Better health-insurance protection for more people can be provided.

The Government need not and should not go into the insurance business to furnish the protection which private and nonprofit organizations do not now provide. But the Government can and should work with them to study and devise better insurance protection to meet the public need.

I recommend the establishment of a limited Federal reinsurance service to encourage private and nonprofit health-insurance organizations to offer broader health protection to more families. This service would reinsure the special additional risks involved in such broader protection. It can be launched with a capital fund of $25 million, provided by the Government, to be retired from reinsurance fees.

OBJECTIVES AND PRINCIPAL FEATURES OF THE BILL

The bill now before us will effectuate the recommendation made to Congress by President Eisenhower. In general, the purpose is to encourage private efforts toward the expansion of prepayment protection.

The bill is the result of long and intensive hearings and study by the committee. The best information obtainable was sought. Leaders in the fields of health and insurance cooperated with the committee, and the Department of Health, Education, and Welfare and their respective staffs in a most unselfish and helpful manner. A tremendous amount of work and study entered into the preparation of the bill. As presented to the Congress by the Committee on Interstate and Foreign Commerce it has the approval of all the Departments of Government, leaders in insurance, insurance companies, State insurance commissioners, Blue Cross, American Hospital Association, and many other individuals and organizations engaged in health insurance.

An analysis of the bill is as follows:

IN GENERAL

The bill, as amended, provides for the establishment of a health-reinsurance program in the Department of Health, Education, and Welfare. It creates a reinsurance fund and authorizes an appropriation of not to exceed $25 million to provide advances of working capital for the fund. The fund would be built up over a period of time from reinsurance premiums and from earnings of the fund. Reinsurance would be available, on a voluntary basis and upon payment of a reinsurance premium, to private insurance companies, voluntary nonprofit health associations, such as Blue Cross and other organizations offering prepaid health-insurance plans. The proposal is designed to encourage private insurance organizations to experiment in providing broader voluntary health-insurance protection to more people.

The bill also provides for technical advisory and informational services to health-service prepayment plans.

It is an attack on the problem of making needed health services and facilities available to the maximum number of people on a prepayment basis; the bill would authorize a two-pronged program within the Department of Health, Education, and Welfare, namely (a) technical advisory and informational services, without charge, to health-service prepayment plans, and (b) reinsurance for health-service prepayment plans established and operated by commercial insurance carriers or by nonprofit carriers.

II. ADMINISTRATIVE STRUCTURE

First. The bill would vest all responsibility for the administration of the program in the Secretary of Health, Education, and Welfare. Under existing law, the Secretary could delegate all or any part of this function and either place it in an existing major unit within the Department or place it in a new unit.

Second. The bill would provide for a National Advisory Council on Health Service Prepayment Plans consisting of 12 members appointed by the President, 1 of whom would be designated by the President as chairman. The Council would advise, consult with, and make recommendations to the Secretary on matters of policy relating to the Secretary's activities and functions under the act.

Third. In addition to authorizing, in general terms, utilization of other Federal agencies, or of any other public or nonprofit agency or institution, the bill would provide for optimum utilization by the Secretary of the various State insurance departments—or other State agencies supervising carriers of health service prepayment plans—especially in determining compliance with requirements and standards prescribed by the Secretary as a condition of approval of a health service prepayment plan for reinsurance. Final responsibility for such determinations would, of course, rest with the Secretary.

Fourth. Except as may be specifically provided by the bill, no Federal officer or employee would be authorized to exercise any supervision or regulatory control over any participating carrier, or over any hospital or other health facility or personnel furnishing personal health services covered by a participating prepayment plan.

III. TECHNICAL AND ADVISORY SERVICES

Under this part of the program, the Secretary would be authorized to conduct studies and collect information on the organizational, actuarial, and other problems of health service prepayment plans, make the results of such studies and the information so collected generally available, and provide to sponsors of such plans, without charge, organizational and other technical advice and information, including information on morbidity and organizational methods.

For this part of the program a separate appropriation would be authorized.

IV. REINSURANCE PROGRAM

First. This program is designed to be self-sustaining, over a reasonable term, through reinsurance premiums paid into a revolving reinsurance fund. However, for a 5-year transitional period administrative expenses would be appropriated from the general funds of the Treasury. An appropriation of $25 million to a capital-advance account in the Treasury would be authorized, which would be available, without fiscal year limitation, as a line of credit for advances of working capital to the reinsurance fund. When and as the condition of the fund permits, such advances would be repayable to the capital-advance account and the amount so repaid would again be avilable for future advances to the fund if needed. Until repayment, interest on the outstanding balance of advances to the fund would be payable to the Treasury as miscellaneous receipts.

Second. Reinsurance premiums would, pursuant to regulation, be fixed by the Secretary at rates determined with a view to achieving the objectives of the act and fiscal self-sufficiency over a reasonable term. Such premiums could, and probably would, be fixed separately for each plan—for the intial reinsurance term, and thereafter again for each renewal term.

Third. Liabilities arising under reinsurance contracts would be limited to and paid from the fund, except that the Secretary could set up separate reinsurance accounts within the fund, in which event liability would be limited to the account to which a plan is allocated. While the bill does not so specify, it would be possible, under this provision, to establish, for example, special reinsurance accounts for classes of plans, classes of carriers, or members of a group of affiliated or associated carriers.

Fourth. The fund would be invested in Federal, or federally guaranteed, interest-bearing securities.

Fifth. Authority to write reinsurance in a given field would be subject to a standby or no-competition provision. That is to say, the Secretary could reinsure plans of a given kind or type only if, in the Secretary's judgment, reinsurance for such plans, on terms and conditions, and at premium rates, comparable to those offered under the act, is not available from private sources to an extent adequate to promote the purposes of the act. By implication, the Secretary would have to stop writing reinsurance when such a finding could no longer be made.

Sixth. Reinsurance for a plan could not be granted unless (a) the applicant carrier is operating according to law; (b) the carrier is financially sound and operates in a manner which entitles it to public confidence; (c) the plan is sound; (d) the reinsurance of the plan will promote the purposes of the act; (e) the carrier agrees to submit such reports concerning its operations under the reinsured plan as the Secretary may from time to time reasonably require; (f) the carrier has agreed to the reinsurance premium rate fixed by the Secretary for the plan; and (g) the carrier agrees to comply with the terms and conditions prescribed for reinsurance. Certification by the State insurance department—or corresponding supervisory agency—of the carrier's home State as to whether the carrier is financially sound and entitled to public confidence, as determined in accordance with criteria established by the Secretary, could be accepted by the Secretary as conclusive. As to utilization of State agencies with respect to (g), see paragraph 8.

Seventh. The Secretary would be authorized, as a condition of granting reinsurance, to establish by regulation terms, conditions, and requirements as to the types and kinds of prepayment plans which will be reinsured. In prescribing such regulations, the Secretary would be required to take into consideration the purposes of the act, with emphasis on the objective of encouraging experimentation designed to extend or adapt the prepayment method to substantive problem areas or geographic areas for which that method is, in any significant respect, new, untried, or not yet fully effective, that is, by coverage of classes of individuals not yet adequately protected, extension of protection to areas not yet adequately protected, or coverage of benefits or services not yet widely available on an adequate basis, either as to type, range, amount, or duration of such benefits or services.

Eighth. As a condition of granting reinsurance, the Secretary could, among other things, specify (a) minimum benefits; (b) safeguards against undue exclusions of preexisting conditions or of specific illnesses, or against other undue exclusions or limitations; (c) standards for deductible and coinsurance provisions, limits of maximum liability, waiting periods for benefits, and other such policy provisions; (d) standards for the duration, cancelability, and renewability of such policies or contracts; and (e) standards for plan provisions with respect to costs and charges of providers of personal health services payable by the carrier, to the extent such standards are necessary to protect the fund against abuses or arbitrary cost increases. The Secretary would be precluded from reinsuring any plan for which the carrier's premium rates are such as to make the plan financially unsound or are otherwise arbitrary or unreasonable, or any plan with respect to which the carrier's breakdown of its single premium rate, as between reinsured and nonreinsured types of benefit costs, is unreasonable, but in other respects the Secretary would be precluded from setting any standards for the carrier's premium rates. The State insurance department of corresponding State agency of a carrier's home State—as defined—would, if willing, be utilized to certify to the Secretary whether the plan complies with the terms and conditions stipulated as a condition of granting reinsurance.

Ninth. The Secretary could not approve for reinsurance any plan for direct provision of medical or dental services by the carrier through a salaried staff of physicians, surgeons, or dentists in the employ of such carrier, unless the carrier has an organizational structure vesting control over the practice of medicine or dentistry solely in duly licensed members of the professions involved.

Tenth. The liability of the reinsurance fund under the reinsurance contract would be fixed and limited as follows:

(a) The reinsurance base: The fund would not underwrite all of the carrier's annual benefit costs under the plan. Rather, the reinsured portion of such costs would be limited to the excess, if any, of (a) aggregate annual incurred benefit costs under the plan; over (b) the difference between, first, gross annual earned premium income; and, second, a portion of such income called the administrative expense allowance.

The administrative-expense allowance applicable to a given year for a reinsured plan would be determined by multiplying the gross earned premium income for the year by an administrative-expense-allowance factor predetermined for the plan prior to the commencement of the reinsurance term—or renewal term—into which such year falls. This factor would be equal to seven-eighths of the carrier's preestimated—and thus predetermined—ratio of annual administrative expenses of the carrier under the plan to annual earned premium income under the plan.

As here used, the term "administrative expenses" is intended to include all of the carrier's expenses and charges incurred under the plan, except the benefit costs and except any provision for contingencies, profits, dividends, and refunds. The Secretary would be authorized to define "administrative expenses" for such purposes more particularly.

Thus, before reinsurance would begin to apply, the carrier would, in effect, have to absorb fully out of its premium income as benefit costs, first, the anticipated portion of premium income normally devoted to benefit costs for such a plan; second, the portion anticipated as available for profits—in the case of a carrier organized for profit—and for contingencies; and, third, one-eighth of the portion of premium income anticipated as administrative expenses.

Procedurally, the ratio of administrative expenses to earned premium income of the carrier under the plan would be estimated by the carrier, and that estimate would be submitted—with supporting data—with the application for initial reinsurance or renewal of reinsurance. In order to prevent distortion, the Secretary could require the submission of an average ratio based on a period not in excess of 3 years. The carrier's estimate would have to be approved by the Secretary unless considered to be unreasonable or not in good faith.

For plans operated to a substantial extent on the basis of personal health services to be furnished by the carrier directly through its own staff or indirectly through the staff of an affiliate, or on the basis of payments made by the carrier to a provider of personal health services which is an affiliate of the carrier, the above formula would not apply, but the Secretary would, by regulation, prescribe a formula calculated to achieve for such plans reinsurance protection reasonably comparable in scope and extent to that provided for other types, taking into account their inherent differences.

(b) Coinsurance: The liability of the fund would be limited to 75 percent of the carrier's reinsured cost so arrived at. This is an adoption, for this purpose, of the principle of coinsurance.

Eleventh. The reinsurance term would be stipulated for a given—regular—period, for example, a year, in the reinsurance certificate, but the Secretary could, by or pursuant to regulation, provide for letting the reinsurance term extend beyond such regular period with respect to policies or subscriber contracts issued during such period and running beyond it and, in that event, if so provided by or pursuant to regulation by the Secretary, to combine the carrier's experience for the regular and extended periods. If a renewal of the reinsurance is granted, the Secretary could, by or pursuant to regulation, specify whether policies issued during the regular period of the preceding term and running into the period of the renewal term should be treated for reinsurance purposes as if issued during the renewal term.

Twelfth. Termination: Reinsurance for a plan could be terminated by the Secretary on any ground specified in regulations in effect not less than 90 days in advance of the commencement of the current initial or renewal term of such reinsurance. However, reinsurance with respect to policies or subscriber contracts in effect on the effective date of such termination would remain in force until the normal expiration of the term.

V. MISCELLANEOUS

First. The bill would confer broad powers on the Secretary with respect to enforcement or settlement of claims, and would authorize the Secretary to hold hearings, and so forth, in connection with investigations under the act.

Second. Criminal penalties would be imposed, not only for falsely advertising

or representing that a carrier is reinsured or has applied for reinsurance but, regardless of the truth or falsity of the representation, also if the representation is not authorized by, or fails to conform to, regulations prescribed by the Secretary.

Third. The effective date would be 30 days after enactment, but in view of the necessity for a preparatory period the Secretary would not be required to receive or consider applications for reinsurance before a date determined by the Secretary.

CONCLUSIONS IN SUPPORT OF BILL

I take it there is little or no dispute about the premises on which this proposal rests:

First. Large numbers of people have no protection—or need better protection—against the costs of care for illness or injury.

Second. Voluntary insurance for the costs of medical and hospital services had made great strides forward in recent years and is capable of substantial further improvement and expansion.

Third. Any Federal program undertaken in this field should build upon our existing system of voluntary coverage and should utilize fully all types of plans and carriers.

In my opinion the proposal now before us represents a sound, middle-of-the-road approach to these problems.

It would encourage experimentation and stimulate expansion of voluntary insurance coverage by making possible a further spreading of the risks of such expanded coverage. This it would do through a self-supporting program of reinsurance. It is not a costly general support program. It is not a subsidy to carriers. There is no compulsion to it. If they so desire, carriers could purchase reinsurance protection—for such risks as they chose to reinsure—by paying reinsurance premiums calculated on an actuarial basis for each reinsured plan. The Government's obligation under the program would be limited to the amount in the fund. The authorized advance of $25 million is to be paid back as feasible. The program would reinsure carriers only; it would not assure benefits, or benefit payments, to any individual policyholder. It is a program to encourage the greatest possible growth for plans which are capable of growing.

The objective of the program is to expand as far as possible the areas in which voluntary insurance can be effective and to reduce to a minimum these areas it cannot reach. Its success will depend upon the willingness of the carriers to undertake new coverage—and to experiment more freely with difficult enrollments and new risks—once the risk of unexpected loss can be held down to about one-quarter of what they would have otherwise had to risk in such new ventures.

Moreover, the Government program under the terms of the bill could not compete with reinsurance written by private companies. With respect to each application for reinsurance the bill would require the Secretary of Health, Education, and Welfare to make an administrative determination that reinsurance was not available from private sources on a comparable basis to an extent adequate to promote the purposes of the program.

The bill does not authorize regulation of the insurance business by the Federal Government, as some have contended. On the contrary, the bill gives full recognition to the principle of general State regulatory authority in the field of insurance. Indeed, the Committee on Interstate and Foreign Commerce wisely amended the bill to make it crystal clear that the program will not interefere with the traditional pattern of State regulation of the insurance industry. The purpose clause reaffirms the policy declared by the 79th Congress in the act of March 9, 1945, entitled "An act to express the intent of the Congress with reference to the regulation of the business of insurance" and expressly disclaims any authorization of administrative action inconsistent with that policy. Under section 304, operation in accordance with law is the first condition of approval for reinsurance, and section 302 (b) requires applicants for reinsurance to agree to operate in accordance with applicable provisions of State law. In addition, section 6 calls for optimum utilization of State insurance agencies in the administration of the program, particularly in connection with determining compliance with the terms and conditions of reinsurance as prescribed by departmental regulation and whether the carrier is financially sound and entitled to public confidence.

With the exception of the sections providing for controls over advertising, which are vital to protect the public and the Government against misleading promotion statements about reinsurance made by either carriers or brokers, the Secretary would be given no general regulatory power over any phase of the insurance business. The bill's grant of authority to make necessary regulations is limited to administrative regulations for purposes of the Federal program. What is authorized here is the establishment of reasonable conditions for participation in a governmental program which the individual carrier may take advantage of if he chooses. Departmental regulations would have no operative effect as to carriers who had filed no formal application for approval for purposes of reinsurance; nor would they apply to policies or subscriber contracts not written in pursuance of plans for which reinsurance was sought.

The bill allows a considerable area of discretion in the establishment of the terms and conditions for participation in the program but it was pretty generally agreed by those presenting testimony at the hearings that any such standards should be worked out in consultation with expert advisers, and representatives of carriers and other interested groups. However, standards have a way of changing and must be subject to modification and revision in the light of operating experience as the program develops. The bill provides several safeguards. There are specific limitations on the extent to which the Secretary may concern himself with premium rate; retroactive effect of new requirements is prohibited; and acceptance for reinsurance of a direct-service plan which permits lay control of professional matters is forbidden. Furthermore, section 303 (b) requires appropriate consultation with interested groups, including representatives of State insurance agencies, prior to the establishment of terms and conditions for reinsurance. Section 403 requires the Secretary to include in his annual report to the Congress a record of the recommendations of the Advisory Council, including minority views, if any. Incidentally, although the bill does not require it, active and close cooperation with State authorities would be promoted if at least one member of the Advisory Council were selected from among the State insurance departments.

I believe this bill as amended is a sound experimental effort to stimulate nonprofit and commercial carriers to tackle new fields of coverage which they may now feel hesitant to undertake. I believe it will encourage carriers to undertake an intensive effort to spread the advantages of voluntary insurance protection to the fartherest feasible limits. I think H. R. 8356 embodies a plan in which we have everything to gain and nothing to lose. The possible Federal expenditures are carefully limited. The role of the responsible Federal administrative agency is safeguarded in every possible way. There will be no competition or interference with voluntary carriers, nonprofit prepayment plans, or with the companies which write reinsurance. Our possible gains in voluntary health insurance protection are tremendous.

I am convinced that the pending bill, first, provides a practical and sensible way to encourage insurance companies and other organizations including Blue Cross and Blue Shield to expand and improve their services; second, will enable more and more families through prepayment plans to meet a larger part of their medical care costs; third, within the free enterprise system that is traditional in this country, will help insurance organizations to meet with private initiative in a more comprehensive way the needs of our people. In the accomplishment of this purpose it will improve the health of the Nation and make America safer and stronger for the present and the future.

The bill deserves the hearty approval of all who believe in a better, stronger, and more healthful nation.

Mr. HESELTON. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield.

Mr. HESELTON. It is a fact that in 1952 the medical bills in this country ran to $9,400,000,000. That includes hospital and doctors, dentists, nurses, and medicines. Of that $9,400,000,000 only $1,600,000,000—or 17 percent—was covered by any insurance at all.

Mr. WOLVERTON. I thank the gentleman for that information.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield.

Mr. MULTER. I would like to have the gentleman inform the committee if he can as to the following matters: No.

1, since the insurance companies of the country have and control billions and billions of dollars, why should not they set up this small $25 million fund out of their own money?

Mr. WOLVERTON. The fact is that they have not done it. I will ask the gentleman: Why?

Mr. MULTER. Why should they not do it? Why should the Government have to put up this $25 million for them?

Mr. WOLVERTON. If they did it or were willing to do it, we would not have this legislation before us; but our hearings developed very plainly, very clearly, very emphatically that there are fields of insurance that no insurance company, no matter what its resources, is willing to enter and assume the risks incident to it.

Mr. MULTER. But to the extent that for the next 5 years the United States is going to pay all of the expenses of the operation of this plan——

Mr. WOLVERTON. No; you are mistaken in that.

Mr. MULTER. That is what it says in the report.

Mr. WOLVERTON. It will pay 75 percent of any losses.

Mr. MULTER. But I am talking about the administrative costs.

Mr. WOLVERTON. The gentleman asked a question; let me finish answering it. It will pay 75 percent of any losses.

Mr. MULTER. Of any losses?

Mr. WOLVERTON. And the premiums which are to be paid will be computed on an actuarial basis and will eventually be adequate to run the plan. No policy will be insured that on its face has strong possibility of loss. In the second place, the Secretary of Health will have at her elbow and for her advice as provided in this bill an outstanding advisory council the members of which will be appointed by the President.

Mr. MULTER. If the gentleman will yield further, please, let us go back to the point I am directing my attention to, this sentence in the committee report:

> For a 5-year transitional period administrative expenses would be appropriated from the general funds of the Treasury.

Mr. WOLVERTON. That is right.

Mr. MULTER. That means that the United States Treasury is going to pay for the administration of this plan for the next 5 years and at the expense of the taxpayers.

Mr. WOLVERTON. Until the premiums are sufficient to pay it back.

Mr. MULTER. Until the premiums are sufficient to pay it back. Now, if the private insurance companies——

Mr. WOLVERTON. I think you can very readily realize a plan such as this cannot immediately have all the premiums paid into it which will be necessary to carry it on. So it will be carried on until the premiums are sufficient to take care of it.

Mr. MULTER. And if private insurance companies would not enter into a plan like this up to now, what reason is there to believe that if the Government pays the costs over the next 5 years, any part of it will ever be repaid?

Mr. WOLVERTON. I think if you will look at the committee report and if you will read the letters we have put in the committee report from the insurance companies such as the John Hancock, Connecticut, and any number of them, you will see that they advise that this is good and that in their opinion it will be taken care of.

Mr. LAIRD. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield.

Mr. LAIRD. I have read the report and some of the letters but have not been able to find any case where private enterprise has been unwilling to meet this problem of reinsurance. Can the gentleman tell me some application of an insurance company for reinsurance with other insurance companies that has been turned down in the past on any type of risk?

Mr. WOLVERTON. The evidence before our committee was that it was a very insufficient field that is now in existence that would be available to reinsure the original insurance company. They are not assuming risks that they do not feel their premiums are sufficient to cover.

Mr. LAIRD. Reinsuring is a very common practice at the present time.

Mr. WOLVERTON. That is right.

Mr. LAIRD. I would like to know if there have been any cases where a primary carrier has been turned down on any reinsurance application and has been unable to place the insurance with private enterprise?

Mr. WOLVERTON. Our hearings will demonstrate that fact to the gentleman if he will take the time to read them in their entirety.

Mr. LAIRD. I would like to state to the distinguished chairman of the Committee on Interstate and Foreign Commerce that I have read over the hearings conducted on this bill. I approve and support the administration's general health program, which places primary emphasis on the provisions of services and facilities for treatment of illness or injuries. It proposes diagnostic centers, specialized institutions for specific needs, medical facilities for rural areas, rehabilitation of disabled persons, improved income-tax treatment of medical expenses, and many more important features. Considering the entire health program, it can be said that it is sound and is generally aimed at those areas where the Federal Government should play a part.

As to the reinsurance phase of the administration's health program, the administration should be congratulated for recognizing that the insurance needs of the Nation can be met by the private insurance companies and the various service plans. This is particularly true when contrasted with the Truman approach to the accident and health insurance needs of the Nation. I will vote against recommitting this bill, as there is no need for further study by the committee of this reinsurance plan. The plan should be defeated, and I will vote against final passage of the bill.

There is no need for a Government reinsurance plan because:

First. The amount of risk in most plans can be easily assumed by the insurers. This is particularly true when compared, for instance, to the liability or fire field.

Second. Perhaps the need for reinsurance in this field is increasing, inasmuch as more companies are entering the major medical expense catastrophe field. Even here, however, there is no need, because reinsurance is available today from private sources. The committee has shown no case where a company large or small has been turned down on placing any reinsurance.

Third. In this connection, it should be stressed what reinsurance does and does not do. Reinsurance is not a panacea to the health problems of the Nation. It does not make insurance any cheaper. It does not make an uninsurable risk insurable. As a result of it, the medical indigent cannot be insured.

The bill calls for the use of Federal reinsurance only in those cases where private reinsurance is not obtainable. Thus the argument has been made that the worst that can come of this is that Federal reinsurance will not be used. This is being politically naive. If the Federal reinsurance facilities are set up but not used, it is the nature of the Federal bureaucracy that efforts will soon be initiated to make this reinsurance work, to wit, competitive with private reinsurance. Once in competition, governmental monopoly is a very distinct threat.

The regulation for the companies requesting Federal reinsurance would be in the Federal Government. The bill gives the Secretary of Health, Education, and Welfare very broad powers in the regulation of the insurance companies. There are two criticisms to be made of this situation:

First. I question whether Congress should give any Cabinet member such broad powers to regulate a particular segment of private enterprise. I am aware that Congress cannot specifically spell out all details of the administration of the reinsurance bill, but I do think the bill could be more specific in an attempt to put some rein on the Secretary's activities.

Second. The Congress is on record as stating that the business of insurance shall be regulated by the various States. The States have done an admirable job in regulating the insurance industry. The regulatory aspects of the reinsurance bill are directly opposed to Public Law 15 of the 79th Congress which expressed the view that regulation of insurance should be in the hands of the various States.

Admittedly, there are certain "soft spots" of health insurance protection among groups of our population. Reinsurance will not cover these soft spots. Through experimentation the insurance industry is reducing these areas, for instance, retired employees, over age employees, rural people, individuals with physical or medical impairment, etc. However, the private insurance industry can never reach everyone. Thus, in these very limited areas there must be subsidies. In this connection, where subsidies must be made, the following safeguards should be made in the administration of the subsidy:

First. The subsidy should be applied directly and openly.

Second. The subsidy should be administered at the local level.

Third. The subsidy should vary from State to State depending on the services available and the prevailing cost patterns.

In conclusion, it should be stressed that voluntary insurance in the past 14 years has made tremendous strides. Currently, 100 million Americans have some form of hospital expense insurance, 75 million have surgical expense insurance and 40 million have medical—nonsurgical—expense insurance. As compared to 1940, the hospital insurance coverage has increased 6 times, the surgical expense insurance, 10 times, and the medical expense insurance about 40 times. Certainly there is every indication that this increase in insurance protection has not ceased. The optimism that prevails concerning the ability of the industry to meet the health expense protection of the Nation is well founded.

I understand the minority party intends to introduce a motion to recommit this bill. It seems that this bill does not go far enough into the insurance field for them and they are interested in putting the Federal Government into the insurance business even more than this bill presently contemplates. I of course am opposed to the position of the minority.

Mr. PRIEST. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, in rising to discuss this bill I find myself in a rather unusual situation insofar as I am personally concerned. As most of you know, I either like to oppose with enthusiasm or to endorse in the same manner any piece of legislation that I speak on in the well of this House. On this occasion I can do neither.

The bill before us today, as my chairman has already explained, first of all recognizes one important question that faces the American people. That question simply is that there is a heavy burden I may say, placed upon millions of people in an effort to meet medical expenses. There is not any question about that. Perhaps the problem of paying for adequate medical facilities, and of the adequate distribution of medical facilities throughout the country constitutes one of the major problems facing the country today.

Mr. JAVITS. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the gentleman from New York.

Mr. JAVITS. I would like to ask this question: Is this not the first time that the Federal Government has even contemplated entering in any way in that field?

Mr. PRIEST. No. I may say in response to the gentleman's question that there was a proposal during Pesident Truman's administration for health insurance. Recognition that there is a need for health insurance is not new. It was proposed even on a compulsory basis in the past. It is not a new proposal. President Truman appointed, as most of you know, a commission, that made a study for quite a while, of the health needs of the Nation and of proposals to help meet some of these needs. So I will say to the gentleman this is not the first time such a proposal has been made insofar as the Federal Government is concerned.

Mr. JAVITS. Is it the first time we have had any bill before us in the House on this subject which opened up this whole matter?

Mr. PRIEST. That is true, it is the first time so far as I know that we have had a bill before the House dealing with this subject.

This bill recognizes, first of all, that there is a need for wider health insurance for expanded voluntary health-insurance plans. The bill attempts to meet that need by setting up, as the chairman has already explained, a $25 million revolving fund to encourage private and nonprofit health-insurance companies to bring under additional coverage individuals or groups that are not now eligible, or that the companies now consider to be risks beyond what they are willing to assume on their own and to encourage that additional coverage. Whether the bill will do that remains to be seen.

I must be very frank and state to the House exactly what I stated to my committee on the morning this bill was reported a few days ago. I said some time ago that if the bill were tightened in some respects that I was willing to try it as an experiment, hoping that it would accomplish some good, but without too much enthusiasm in the belief that it would accomplish a great deal of the good sought. I am still willing to try it as an experiment. I think it can hardly be at this point properly classified as more than an experiment. It is a pioneer effort in this field, and I am willing to try it out, to put my faith in any sound plan that I think might bring some benefits to the American people in the field of health.

Mr. BONNER. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the gentleman from North Carolina.

Mr. BONNER. The gentleman spoke of a proposal some years ago under a former Democratic administration. Now, is it not a fact that that proposal was defeated and killed in this House largely by the leadership of the Republican Party?

Mr. PRIEST. Well, may I say to the gentleman that I believe that proposal did not come before the House for a vote at that time, if he is referring to the comprehensive compulsory health-insurance plan. It was not reported by the committee and did not come to the floor of the House for a test vote. But, I might say to the gentleman, that there was very sharp criticism, of course, of that proposal.

Mr. BONNER. There was violent opposition, I will say.

Mr. PRIEST. "Violent opposition" is a very good phrase to describe it.

Mr. BONNER. In the House, to the proposal itself.

Mr. PRIEST. That is true.

Mr. BONNER. And to all proposals of this nature that were suggested at that time, to even the creation of a department that his comes under now.

Mr. PRIEST. That is quite true, and that was defeated on the floor of the House, I might say, in a reorganization plan.

Mr. KLEIN. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the gentleman from New York.

Mr. KLEIN. I would like to recall to the gentleman's attention the question addressed to the chairman of the committee a few minutes ago by the gentleman from Massachusetts [Mr. HESELTON]. He asked to what extent the medical costs have risen, and I think he said something like $9 billion.

Mr. PRIEST. Nine billion dollars, approximately, I believe is the figure.

Mr. KLEIN. Does the gentleman believe that the passage of this legislation will have the effect of reducing the medical costs to the people of this country? I say it will not, and I am certain the gentleman believes it will not, and I know, and the members of this committee will recognize that the gentleman now addressing this committee is one of the outstanding health experts in the Congress; he has been on this committee many years; he was the former chairman of the subcommittee on health, and he knows his business. I would appreciate it if he could tell the people of this country through the Members of this House whether this bill will accomplish the purpose that it is claimed it will and whether it will reduce the cost of doctors' bills and medical expenses of the people.

Mr. PRIEST. Let me say to the gentleman that when members of the Department of Health, Education, and Welfare were before the committee, I stressed at the time—and had a favorable response from some of them—that I felt it would be a great mistake if the Department in any of its press releases or in any literature promoting this plan, assuming that it was enacted, led the people of the country to believe that this was a solution of their health-insurance problems. I think most of them at the time agreed with me and said, "We realize it is only a beginning, and we certainly shall be cautious in whatever we have to say about it as being a solution."

Mr. Chairman, I am supporting this legislation before us today, because I am willing to make the effort to see if it will work. However, I do not want the people of the country to believe that it is the answer; that it is the solution. I said I would support it, and I am, as an experiment.

I have very grave doubts that it will accomplish all that is claimed for it. But insofar as doing that which the gentleman from New York [Mr. KLEIN] has pointed out, certainly we should not hold this up as an answer to the $9 billion medical cost of the people of the country. It is not that.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. May I call the gentleman's attention to the fact that the legislation which was known as the compulsory health plan or insurance plan was attacked as socialized medicine; and the opponents of it never pro-

posed anything in substitution for it; that the position of President Truman was very much falsified and he was maligned, because he always took the position that those who opposed the bill or any part of it should make their suggestions, should approach the matter constructively, and that he would sign any bill that was constructive and that represented progress. In order words, he did not tie himself to the bill that was introduced.

Mr. PRIEST. That is correct.

Mr. McCORMACK. It was the avenue through which legislative hearings would be held and out of which, if anything constructive came, he would approve it. His position was very much falsified and maligned.

Mr. PRIEST. I think that is a very fair statement.

Mr. HESELTON. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the gentleman from Massachusetts.

Mr. HESELTON. In the first place, I want to say very frankly that I have the highest respect and regard for the gentleman. I know he is stating with great sincerity his own deep convictions on this matter. He has discussed the subject with me. He made a statement to me over the last weekend which I think should be in this RECORD. He said that this is an experiment; that the Department recognizes it, the committee recognizes it, the Congress will recognize it, and that the President has recognized it as an experiment; but that we will never know whether it will work unless we give it an opportunity.

I am delighted that the gentleman is joining the committee this afternoon in support of the bill.

There is just one more point, if I may. The gentleman from New York [Mr. KLEIN] I thought misunderstood me when I made a statement as to the extent of the 1952 medical bill of the country, and the amount of insurance involved. It has never been my contention, and I know no one who has contended, that the passage of this bill will reduce medical bills directly. But I think the gentleman will agree with me that if this program does become a success, if there is a wider coverage and a better coverage, it will reduce the direct impact on the individual and transfer it to the voluntary insurance companies.

Mr. PRIEST. I will agree with the gentleman in that respect.

Mr. ROGERS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the gentleman.

Mr. ROGERS of Colorado. I should like to ask the gentleman the question, in the event that the Secretary should approve a reinsurance plan, and that company should get into difficulty, are they reinsured to the extent of 75 percent of the policies that they have issued?

Mr. PRIEST. Does the gentleman mean retroactively?

Mr. ROGERS of Colorado. No; from now on.

Mr. PRIEST. It may be terminated. There is a provision in the bill for a termination of the reinsurance contract.

Mr. ROGERS of Colorado. Assuming that they have entered into an insurance contract, what is the obligation of the Secretary in the event that the company is unable to meet its obligations—I am referring to the company that has been reinsured.

Mr. PRIEST. If they are unable to meet their obligations so far as paying policyholders what might be due? Is that what the gentleman means?

Mr. ROGERS of Colorado. Yes.

Mr. PRIEST. The Secretary is obliged to pay 75 percent of the loss. If a company's income from premiums fails to equal the figure representing what they actually have to pay, if a company, for instance, may have earned from premiums paid $100,000 and they have obligations of $110,000 incurred during the year, 75 percent of the $10,000 difference would be paid from the insurance fund.

Mr. ROGERS of Colorado. If there were any legal action to be taken on the part of the Government, it would then naturally go into the Federal court, would it not, or would it be taken under the insurance laws of the respective States?

Mr. PRIEST. The provision there, I believe, is with respect to the States, that is, the insurance laws of the States.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield.

Mr. ARENDS. With reference to the proposition that if an insurance company has to go to the Government for 75 percent of the loss that they incur, in like manner the insurance companies would have to pay 25 percent of the loss themselves; is that not correct?

Mr. PRIEST. They pay 25 percent of the losses that they sustain. Of course, they pay a premium for their reinsurance.

Mr. ARENDS. Therefore, they are going to be very careful about their rates.

Mr. PRIEST. I would think they would be, in all fairness.

Mr. MARSHALL. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield.

Mr. MARSHALL. I wonder if the gentleman could tell us the attitude of the American Medical Association on this matter.

Mr. PRIEST. The American Medical Association is opposed to the bill. There is no question about that.

Mr. MARSHALL. I thank the gentleman.

Mr. PRIEST. Frankly, I do not think the bill is socialized medicine. I do not see that there is a question of socialized medicine involved in the bill at all and if I did I would oppose it.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield.

Mr. McCORMACK. It is at least a minor step in the direction of Democratic leadership in the past.

Mr. PRIEST. Yes.

Mr. WILLIAMS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield.

Mr. WILLIAMS of Mississippi. The gentleman has stated the position of the American Medical Association to be against the bill. I wonder if I understand the gentleman's position on the bill—I think he considers it innocuous, is that not correct?

Mr. PRIEST. I do consider it so.

Mr. WILLIAMS of Mississippi. I would like to know on the other hand, besides the President and Mrs. Hobby, does the gentleman know of anybody who is enthusiastically in favor of this bill?

Mr. PRIEST. We had some witnesses before the committee who were, I think perhaps, enthusiastic for it, but not a great number.

Mr. WILLIAMS of Mississippi. The gentleman will agree with me when I say that so far as the membership of the committee is concerned, the fires of enthusiasm which have been developed, and which have been kindled in the committee in favor of this bill, would probably freeze water, would they not?

Mr. PRIEST. The gentleman uses figurative language. I can go along with at least a part of the way toward the freezing point.

Mr. Chairman, I want to discuss one point which I expect to take up when we are considering the bill under the 5-minute rule. When we had hearings on the bill and when it was considered by the committee later, I felt all along there should be some statutory standards—that is minimum standards—that all carriers should meet before they would be eligible for reinsurance. I had at one time planned to offer an amendment to write those minimum standards into the bill. But, the more I considered that approach, the more I felt that a bill of this sort, if it is going to work at all, must work on a cooperative basis and that there is such a great variety of policies which may differ so greatly that writing definite statutory standards into the bill was, perhaps, a matter which had better be left to the question of issuing regulations pursuant to the bill, if it should become a law. Therefore, in order to be certain that those regulations are issued, I will offer at page 54 of the bill, at line 14, when the bill comes up for consideration under the 5-minute rule an amendment to change the word "may" to the word "shall." The effect of that amendment would simply be that the Secretary not alone must consult with the Advisory Council on about 8 points concerning standards, but that the Secretary shall after consultation issue regulations on these particular points. Thus we will be certain that regulations setting up very specific standards shall be issued. It is anticipated that they will be anyhow, but the language of the bill says that they may be. I want it to be very certain that they are and I will offer that amendment at that time.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I must yield to my chairman.

Mr. WOLVERTON. I have asked the gentleman to yield for the purpose of stating to the House that I think there is merit in the amendment that the gentleman proposes to the bill. I think the word "may", with the understanding that has been had, would leave no doubt that in the administration of the

act, the things which he is most desirous of having stated definitely would be done by the Secretary. However, if it gives better assurance by substituting the word "shall" instead of "may", so far as I am personally concerned, I have no objection. Before the amendment is offered, I will confer with other members of the committee.

Mr. PRIEST. I thank the gentleman.

Mr. BONNER. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield briefly.

Mr. BONNER. The distinguished gentleman from New Jersey [Mr. WOLVERTON] spoke of the testimony that various outstanding insurance companies gave on this bill as to its soundness, as to the need for it. All of those insurance company stocks have quadrupled in the last 10 years. Tell me why the insurance companies, if they are so much in favor of this, did not go into it themselves; and were they asked why they did not?

Mr. PRIEST. I do not know why they have not.

Mr. BONNER. If it is so good and so sound, everybody wants private business to carry on, why should they not go into it themselves?

Mr. PRIEST. Several witnesses were asked the question, "Is it not possible for the insurance companies, by pooling some of their own assets, to set up a reinsurance program among themselves?" The answers were that it might be possible, that it certainly would be possible, but it had not been done, and there was never any definite forthright statement whether they thought it should be or should not be. It could be but it has not been done.

Mr. BONNER. They control the major part of the surplus funds of the country.

Mr. PRIEST. Unquestionably that is true. One or two, I believe, said that certain reinsurance premiums by individual companies had been taken out with Lloyd's of London. At least there was one company that made that statement.

The CHAIRMAN. The time of the gentleman from Tennessee has again expired.

Mr. WOLVERTON. Mr. Chairman, I yield 8 minutes to the gentleman from Illinois [Mr. SPRINGER].

Mr. SPRINGER. Mr. Chairman, the House Committee on Interstate and Foreign Commerce has favorably reported on H. R. 8356, with an amendment, and recommends that the bill be passed. This bill represents a program to improve the public health by encouraging more extensive use of the voluntary prepayment method in the provision of personal health services. The bill authorizes the creation of a reinsurance fund within the Department of Health, Education, and Welfare which would be available for the reinsurance, on a voluntary basis and upon payment of a reinsurance premium, of health-service prepayment plans operated by commercial insurance carriers or by voluntary nonprofit health associations. The proposal is designed to encourage private insurance associations to experiment in providing broader voluntary health-insurance protection to more people.

THE COMMITTEE'S HEALTH INQUIRY

Of the problem of making needed health services and facilities available to the maximum number of people, we all are aware. The rising cost of medical care is well evident, even in the less serious illnesses. A long-term illness today represents a financial catastrophe to the average American family. Heart disease, cancer, tuberculosis, arthritis, rheumatism, polio, blindness, diabetes, cerebral palsy, epilepsy, multiple sclerosis, muscular dystrophy, and like diseases represent a crippling burden, even where the best in medical care is available.

With this problem, one of the most serious and important facing our people today, your Committee on Interstate and Foreign Commerce properly has been concerned. We have been trying to see just what might be done about it.

Last October, during the recess of the Congress, this committee conducted hearings in which it received extensive testimony on the present state of research into the causes and control of some of the principal scourges of mankind. The committee had the unstinted and cordial cooperation of outstanding men and women who devoted their lives to research in the fields of these major diseases, in the committee's effort to find out just where we are in knowing what the causes might be, in preventing or curing the disease, in mitigating its effects, and what further might be done to bring successful culmination to this research.

It is obvious that in many of these fields we do not yet know how we may provide a complete cure, yet alone in others, know just what we are fighting. On the other hand, research activities have produced marvelous results in the prevention and treatment of some of them, and we may be well along the road to a solution in some.

Yet the very fact that we are now able to treat many of these diseases and prolong human lives, has resulted in new problems of an economic nature. Extended hospitalization and medical attention prove exceedingly costly, and such costs are mounting astronomically. While society makes some provision for the very poor to be taken care of, if they require extended hospitalization and medical treatment, and while the very rich are able to take care of themselves in such regard, the large majority of our people do not appear to be protected adequately from the cost resulting from extended serious illness.

What families today—with one of their number suddenly stricken—can afford from their own resources to pay the $4,380 involved in the hospitalization of a chronic heart patient for 1 year; or the monthly cost at a cerebral palsy center offering the full range of medical, psychological, and social services, averaging as much as $750 per child; or the $10,000 cost per year in keeping a seriously involved polio case in an iron lung?

Or, if from their own resources, and those of relatives, they can meet the costs of such illness, at what cost to them in financial readjustment, lowered standard of living, interrupted schooling, uprooted children, loss of layaway for old age, or assumption of the breadwinner's role by someone else?

With such background, accordingly, the committee next undertook as part of its inquiry the study of just what protection against these costs now may be available to the individual American family.

Many plans are in existence in this country which seek to give protection against hospital and medical expenses. Last fall, and again after the commencement of this session, this committee has inquired into how extensive the protection afforded by this coverage might be. We have heard from the sponsors and administrators of many group plans, like Blue Cross and Blue Shield organizations, from private clinics, and from various insurance companies which write insurance on an individual or group basis.

We have been concerned with the cost of the protection given by these various plans, and more especially, with whether this protection extends to major or catastrophic medical and hospital expenses. We have been interested in the arrangements under these plans which have been made with the hospitals and physicians, the experience which has been gained under these plans, the difficulties which have been encountered, and suggestions arising from their operation.

Without here dwelling at length on our findings, it is evident to the committee that the American people are not now getting all the protection against the costs of medical and hospital care which our present state of economic and technical development seems to indicate they should be having.

EXPENDITURES FOR MEDICAL CARE

As private individuals, the people of this country are spending about $10 billion a year for medical care. Physicians' services cost them nearly $3 billion, and hospital care almost as much. Dental care, nursing, drugs, and appliances and all the other expenditures for sickness and health come to over $4 billion more. Included in this last amount is the net cost of the health insurance millions of people buy to protect themselves in advance against some of the costs of sickness.

On the average, families spend about 4 percent of their family income, or more than $200 a year, for all personal health services. But for any 1 family these expenses may be much less than this amount, or many times more than this average. Indeed, approximately a million families paid out amounts equaling or exceeding one-half of their family incomes, and 500,000 families paid out amounts equaling or exceeding 100 percent of their incomes in a recent 12-month period. These families have obviously not found a way to budget for medical care.

AMOUNT OF INSURANCE PROVIDED AGAINST MEDICAL CARE EXPENDITURES

A 1952 survey showed that premiums for all voluntary health insurance amounted to $2 billion and expenditures

for benefits to $1.6 billion. Through their own budgeting our citizens obtained 17 percent of their expenditures for medical care from their voluntary prepaid insurance benefits. At least 38 percent of all private expenditures for hospital care and 19 percent of all expenditures for physicians' services were paid by insurance benefits—table 1. It is obvious from these data that present health insurance, while doing a great deal, is not yet completely solving the problem of meeting hospitalization, and physicians' bills, on a budgeted basis for all our people.

Nor is health insurance doing as much as it might for those people who have had the foresight to purchase it. We learned that 81 percent of families who had insurance for hospital care and had a hospital bill had at least 60 percent of the bill paid by this insurance. However, only 54 percent of families with surgical insurance and a surgical bill had as much as 60 percent paid by their insurance. And only 18 percent of families with one or more kinds of health insurance had as much as 60 percent of all their bills paid by their insurance. It, therefore, appeared that the insurance in force today is in many instances covering only part of the hospital, surgical, or medical bills people incur.

GAPS IN ENROLLMENT OF THE POPULATION IN HEALTH INSURANCE PLANS

The committee examined with great thoroughness the existing health insurance; and it found that while many millions of people have one or more forms of this protection, many millions do not, explaining in part the gap between all private expenditures and insurance benefits for medical-care cases. For example, 92 million have hospitalization insurance, but 63 million do not. While 74 million have surgical insurance, about 81 million do not. Only about 36 million people have insurance against physicians' bills other than surgery, and most of these people can call on their insurance for doctors' visits only if they are in the hospital. Only some 5 or 6 million people out of a population of 155 million have anything approaching comprehensive health insurance—table 2.

The people counted in the above figures are predominantly urban, since 70 percent of those with hospitalization insurance are urban residents. The urban population of nearly 100 million represents 64 percent of the total civilian population. Sixty-three percent of the urban population, but only 38 percent of the rural farm population—and 52 percent of the rural nonfarm population—has hospitalization insurance. There were smaller percentages insured in the South and West than in the more urban Northeast and north-central geographic regions.

The relationship of urban living and a high percentage of the population insured was further indicated by the fact that only 33 percent of families whose main earner works in agriculture, forestry, and fisheries have health insurance, while as many as 90 percent of families whose income is earned in certain manufacturing industries have health insurance. Other data showed that the percentage of families with health insurance increased as income rose. It decreased with advancing age so that only 26 percent of those aged 65 and over had hospitalization insurance compared with 59 percent of the population under age 65, in 1952.

GAPS IN THE BENEFITS PROVIDED BY VOLUNTARY HEALTH INSURANCE

In the course of the hearings we became acutely aware of two kinds of gaps in currently available health insurance: First, it was not reaching many classes of people who would be helped by it; and, second, it was not providing adequate benefits for many families who already were insured. We heard a great deal of testimony on this second point. Many insurance policies paid only $5 or $6 a day for hospital care while the hospital charges amount to $15 or $20 or more a day. Hospitalization benefits were limited to a period of 21 or 30 days in some plans. Many fee schedules listing the amounts to be paid for surgical operations represented only 50 to 75 percent of the actual charges made by surgeons. Physicians' bills—nonsurgical—were paid only if the patient were hospitalized and then only after the second or third visit from the physician. In policies purchased on an individual basis, preexisting conditions, such as heart disease or diabetes or cancer, were excluded and frequently the policy was cancellable at the company's option. Participation in a group policy was lost on retirement, and the person of 65 years had difficulty buying an individual policy. Insurance payments were inadequate to cover the costs of X-rays, laboratory tests, and the like. Major medical expenses were not widely covered by existing insurance policies.

While we were hearing about deficiencies such as these in the benefits provided, we also heard about some health insurance plans which, here and there, or in one way or another, had experimented successfully in broadening benefits and providing complete insurance protection for one, or another, or all of the types of benefits usually provided by health insurance. We heard of successful experiments in covering rural people, in increasing benefits, in adding new forms of benefits, and so forth. These numerous experiments seemed to us a desirable beginning. We want to see them increased in order to provide the actuarial data for a sound expansion of voluntary insurance in all of the following areas:

First. Coverage of more people for more benefits.

Second. Coverage of rural people.

Third. Coverage of the self-employed and those not working in groups.

Fourth. Coverage of more older people.

Fifth. Coverage of more earners, even though their incomes are low.

Sixth. Coverage of more days of hospital care and more of the extras on the hospital bill.

Seventh. Coverage of more of the surgeon's bill.

Eighth. Coverage of the nonsurgical bill.

Ninth. Expansion of insurance providing coverage of major medical expense.

Tenth. Elimination of restrictions on preexisting conditions.

Eleventh. More adequate insurance against the costs of diagnosis.

TABLE 1.—*Private expenditures for medical care and voluntary health insurance benefits, 1952*

[Amount in billions]

Item	Private expenditures	Insurance benefits	Percent met by insurance [1]
All medical-care costs	$9.4	$1.6	17
Hospitalization	[2] 2.8	1.1	38
Physicians' services	[2] 2.9	.5	19

[1] These percentages are based on the data before rounding to the figures in billions shown in the 2 preceding columns.

[2] Figures includes $0.2 billion, the net cost of insurance purchased against the risk named.

TABLE 2.—*Extent of coverage of the civilian population by voluntary health insurance, Jan. 1, 1953*

	Number of people	Percent
	Millions	
Total civilian population	155	100
Total with some insurance protection	92	59
Comprehensive insurance	5	4
Hospital, surgical, and medical insurance	31	20
Hospital and surgical insurance	38	24
Hospital insurance only	18	12
Total with no insurance protection of any kind	63	41
Against hospitalization costs	63	41
Against surgical-care costs	81	52
Against medical-care costs	119	77

In summary, the growth of voluntary health insurance has been rapid and it currently provides protection for a large part of the hospital bills of our citizens and for lesser proportions of their medical bills. Nevertheless, gaps still exist in the enrollment of that part of the population which can be expected to prepay its medical-care costs and gaps exist in the protection people can purchase from available health insurance plans. We believe that a method of stimulating the insurance carriers to expand their enrollment of rural people, self-employed persons and those working in small establishments is in the public interest. Furthermore, a method of stimulating insurance companies to experiment in the directions indicated above, to improve benefits and the protection afforded is very desirable. H. R. 8356, a bill to improve the public health by encouraging more extensive use of the voluntary prepayment method in the provision of personal health services, offers a feasible method for the Federal Government to provide this stimulus by sharing to a degree the risks involved in these experiments, without interfering with private initiative and enterprise.

Mr. PRIEST. Mr. Chairman, I yield 7 minutes to the gentleman from New York [Mr. KLEIN].

Mr. KLEIN. Mr. Chairman, the title of this bill is: "To improve the public health by encouraging more extensive use of the voluntary prepayment method in the provision of personal health services." I venture to say that if this bill were to accomplish that purpose it would pass this House almost

unanimously. But, Mr. Chairman, my purpose in taking the floor at this time is to charge that this bill will not attain that objective.

What we are all interested in—I am, certainly—is something that will accomplish that purpose, or have that effect. I voted for the rule making this bill in order because I wanted the opportunity to have the bill explained to the people of the country so that they may realize why many of us are opposed to it. My position has always been that the medical costs of this country are too high. The average person, or a person earning less than $3,000 a year, cannot afford at the present time to pay for medical costs and services. This is no reflection on our doctors or pharmaceutical companies. All costs—rents, food costs, and so forth, have risen sky-high. One of the things that retards a man's physical recovery after he has been taken ill or after he has been operated on is worry about who is going to pay the doctor's bill or who is going to take care of his family while he is in the hospital or necessarily away from work. Many people die, and the recovery of many is retarded because of this worry. So I have always favored some plan of prepayment insurance—medical insurance of some kind, if you please—whereby one's medical bill, hospital bill, the care of the family can be taken care of while the individual is ill.

Mr. Chairman, this bill does not do this. This bill is, in my opinion, a fraud on the American people. If they think it does what it is stated to do, they should be made to realize that it does not.

Let me read a little colloquy that I had with the vice president of the Aetna Insurance Co. Incidentally, I may point out that many of these men from the insurance companies who testified allegedly in favor of this plan, when pressed admitted that they were opposed to it. Yet they were members of the committee that sponsored this plan. And they had to admit they were against it.

The gentleman from Mississippi [Mr. WILLIAMS] asked a very pertinent question a few minutes ago when he inquired of the gentleman from Tennessee who is for this bill. The AMA is against it although that is one reason, in my opinion, for being for it. Usually anything they are for, I am against; anything they are against, I am for. Unfortunately I find myself on the same side with them here. As I have often said, my admiration for the doctors of this country is very great—but I do not believe that the AMA represents the views of the doctors. Who else is against this bill? Well, the insurance companies that will have to administer it are almost all against it. I, too, would like to know who is for it. The enthusiasm in the committee was indeed very lukewarm. The only ones who are "hot" for it are the administration and the leadership of the Republican Party. They want a campaign issue—but I believe it will boomerang.

Let me read you a colloquy that took place between myself and Henry S. Beers, the vice president of the Aetna Insurance Co., who testified for the bill on page 219 of the hearings:

> Mr. KLEIN. Can you tell me how this bill, if enacted, would help the large mass of the people in this country who earn less than $3,000 a year and who presently cannot afford to have medical insurance?
>
> Mr. BEERS. Well, I could say it would have almost no effect in that field at all, Mr. KLEIN.

Let us go down a little further. I asked this question:

> Do you think that the passage of this legislation would provide for medical or health insurance for those people who earn so little that they cannot afford the present rates of a voluntary insurance plan?
>
> Mr. BEERS. No.

Now, something very interesting is happening here. What was the opposition before the committee? The tycoons of the insurance companies, the ones that are going to administer this, are opposed to it. Yet, amazingly, a little conference was called at the White House, and if you will look at the report, on page 16 you will find the names of the presidents of the largest insurance companies in this country, who were called down to the White House, and lo and behold, after that session with the President, or whoever was there, they wrote letters advocating the passage of this bill. I am certain that they were not physically coerced down at the White House, but there is more than one way to coerce people—especially big-business men.

What is happening here, my friends? Nobody really wants this. I do not believe that the other body will take any action when and if it gets over there. I believe that the chairman of this committee and almost every member of this committee wants some form of medical insurance that will help the poorer people of this country, but this bill will not do it.

Mr. MARSHALL. Mr. Chairman, will the gentleman yield?

Mr. KLEIN. I yield to the gentleman from Minnesota.

Mr. MARSHALL. Could the gentleman tell me whether any medical group, doctors, or nurses, have testified in favor of this legislation?

Mr. KLEIN. Yes. I believe that the Blue Cross—and if I am not correct, the chairman will correct me—testified for it, and I say again that this group of insurance companies and Government representatives that brought out this plan—they appeared before the committee in favor of the plan. But when they were pressed individually I think most of them said they themselves or their own companies were opposed to it.

Mr. SPRINGER. Mr. Chairman, will the gentleman yield?

Mr. KLEIN. I yield to the gentleman from Illinois.

Mr. SPRINGER. I believe I am correct—and, if not, I stand corrected—that the Senate has reported the bill out and it is ready to be heard at the present time.

Mr. KLEIN. I have enough trouble keeping up with what the House does. I cannot keep up with what the Senate does.

Mr. SPRINGER. I think that is true, and I will state it for the record. In the second place, I believe your largest insurer in this group is the Blue Cross group. Is that not true? They said they would go ahead and expand their insurance and do everything they possibly could to make this a success. Is that not the testimony?

Mr. KLEIN. Yes. But I think they could do it themselves. They do not need Government money. What we are trying to do with the $25 million is to get the big companies to go out with a plan where it is not profitable for insurance companies to operate, and encourage them. They themselves have said it would not work.

Mr. WILLIAMS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. KLEIN. I yield to the gentleman from Mississippi.

Mr. WILLIAMS of Mississippi. The Blue Cross people cannot even agree among themselves. I have a letter on my desk from the Mississippi Blue Cross people in violent opposition to this bill.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. KLEIN. I yield to the gentleman from New Jersey.

Mr. WOLVERTON. The gentleman asked what doctors testified in behalf of the bill. Of course, with the limited time I had, I could not give the entire list. But, I think I can give one that is indicative of the rest. Dr. Paul B. Magnuson, who was appointed by President Truman as chairman of the Presidential commission, testified strongly in behalf of this cause.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. PRIEST. Mr. Chairman, I yield 7 minutes to the gentleman from Texas [Mr. THORNBERRY].

Mr. THORNBERRY. Mr. Chairman, this is a bill which comes to the floor of the House with more lack of enthusiasm on the part of the committee sponsoring it than any bill that has ever come to the floor of this House. I want to state—and I want to be corrected by any member of the House Committee on Interstate and Foreign Commerce present if I misstate the facts in any way with reference to the consideration given this bill by that committee—it is true that the committee had long hearings, not only on this bill but other bills that were before our committee affecting health. It is true that we had extensive hearings upon a bill which was introduced to carry out the principle of reinsurance. However, the Committee on Interstate and Foreign Commerce in executive session devoted only 1 hour to a discussion of the present bill that is before this committee and reported the bill with more reservations on the part of the members than has been true of any bill since I have been a member of the committee.

I am here to speak about the integrity of committee consideration by a committee of this House and the integrity of the membership of the House of Representatives of the Congress of the United States as we are called on to give consideration of a far-reaching bill.

On Thursday we had been considering for action H. R. 7700, which is a controversial bill affecting health. On Thurs-

day a discussion had been had as to whether or not we would dispose of H. R. 7700. After an eloquent plea was made that this was a great committee which had a tradition of going fully into consideration of a bill, and a plea that the membership of the committee could work out a bill that would receive the endorsement of the committee, the committee was disposed not to take action on that bill. On Friday morning, last Friday morning, the members of this committee received a communication from the chairman stating that the leadership had informed him that it was desired that this bill, H. R. 8356, be reported to the floor of the House so that it could be taken up at the first of the week.

Mr. WILLIAMS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. THORNBERRY. I yield to the gentleman.

Mr. WILLIAMS of Mississippi. The gentleman might tell the House also that in the consideration of H. R. 7700 on the day that he mentioned, 92 amendments were pending, all being more or less technical amendments to the bill; that the leadership on the committee was so determined that we give a full and complete consideration to each and every one of these amendments, they objected to putting them en bloc and now we have 92 amendments before the committee for consideration.

I am wondering why we did not give the same kind of thorough and meticulous consideration to this proposed legislation.

Mr. SPRINGER. Mr. Chairman, will the gentleman yield, since he has raised a point of privilege of the House?

Mr. THORNBERRY. I yield to the gentleman from Illinois.

Mr. SPRINGER. I should like to make this statement—and I shall stand corrected if I am wrong—this bill was discussed on many other occasions besides this 1 day; is not that true?

Mr. THORNBERRY. I will get to that in a minute.

Mr. SPRINGER. If the gentleman wants to defer that, I am willing to withdraw my question at this time.

Mr. THORNBERRY. I believe the gentleman was not there Friday morning and I think he will withdraw his question, when he learns the facts. Let me state the facts.

Mr. SPRINGER. I am glad to be corrected if I am wrong.

Mr. THORNBERRY. If the gentleman would not be in too much of a hurry; that is the trouble about this bill, everyone appears to be in a hurry to reach a conclusion on it without proper consideration of its provisions.

On July 2, there was introduced a committee print of the bill containing 13 substantive amendments to this bill, which no member of the committee had discussed. Oh, there were discussions of the reinsurance principle. I said that to begin with, in connection with the bill originally introduced by our distinguished chairman, and then of the bill that the Department of Health, Education, and Welfare urged. But so far as the amendment, which the rule makes in order for discussion today, is concerned the committee never discussed it. It was not until Friday morning, when we got the committe print, July 2, 1954, that the committee saw or discussed it.

Mr. SPRINGER. I think that is true, but this bill is practically the same bill, is it not?

Mr. THORNBERRY. If the gentleman will read the committee report to which he referred, which says that the substitute includes 13 substantive changes from the bill as originally introduced, he will see what I am referring to.

Mr. SPRINGER. Will the gentleman point out the substantial changes?

Mr. THORNBERRY. I will be glad to, but I thought from the gentleman's statements that he understood the substantial amendments to the bill. I am not going to discuss that at this moment, because I am going to go a little further into the matter of the consideration that was given to this bill.

Mr. SPRINGER. If the gentleman will proceed, I shall be very glad to listen.

Mr. THORNBERRY. Then the committee met approximately at 10:30 and there was discussion of this bill. Every member of the committee recognized the position we were in. I do not want to disclose what anybody else had to say in executive session, but I think it is fair to say that I pointed out that this committee had considered bills far simpler than this bill—bills which had been read line by line and worked on line by line. I think the Members of this committee and of this House know that previously when this great Committee on Interstate and Foreign Commerce has brought a bill out, it has come here with the full assurance that we had discussed fully the provisions of the bill and that we had come, more or less, to some agreement on the bill. I state now, I hope the day will never come again when this great committee will take a bill of this type and, because of a direction from somewhere else, report it out with as little discussion as this bill has received. You heard the distinguished gentleman from Virginia [Mr. SMITH] tell you what had happened when the bill came to the Committee on Rules. I think the Committee on Rules took the bill up late yesterday afternoon, and now the bill is before this House. There are a great many objections to this bill. Someone has said that the Blue Cross and the Blue Shield companies are for the bill. The Blue Cross-Blue Shield plan companies of Texas are opposed to the bill. There has been a great deal of discussion about who has testified in favor of the bill or against the bill.

A statement has been made here about the position of the medical profession on this measure. I have heard from many fine doctors in the State of Texas. They tell me that they fear the bill and that they are opposed to it. I am convinced from what they tell me that they sincerely feel that this is a bill which would have the Federal Government go further into the field of health insurance than they would like to see.

Whatever may be the arguments of those who sponsor the bill here, it is a bill which should have had greater consideration in executive session in the House Committee on Interstate and Foreign Commerce than it has received. I know that the bill comes to the floor of this House with a greater lack of enthusiasm on the part of the members of the House Committee on Interstate and Foreign Commerce than has ever been evidenced by them on any bill reported by our committee since I have been a member. I feel very strongly that because of what has occurred this bill should be returned to the committee.

Mr. WOLVERTON. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, I take this time in order to make a reply to the statement that has just been made by the gentleman from Texas. This bill was introduced in January of this year. Hearings upon it were held on March 24, 25, 26, 30, 31, April 1, 5, 8, May 5, 6, and 7. Anyone who reads the record of those hearings will never raise the question as to this bill not having the fullest possible consideration. If you read that record, you will find every question was put that could possibly be thought of by the members of the committee. There were long periods of questioning. At my instructions, the staff of our committee was requested to give consideration to the questions which had been raised, and were asked to prepare amendments wherever possible which would coincide with the meritorious questions which had been raised by members and witnesses. That took a period of 2 months. At the end of that time the bill was brought before the committee and no amendments were offered in the committee. Consultations with Members were held and with departments of Government, legislative draftsmen, and others who were interested in the legislation, including such as the Blue Cross and American Hospitalization, and so forth. To the end, it was hoped that we would be able to prepare a bill to which there could be no reasonable or justifiable exception taken. When this bill was presented before the committee on the days to which the gentleman referred, every opportunity was given to any Member on either side to present any amendments which they saw fit. But the opportunity was not taken advantage of. The opportunity is here. If this bill is not what it should be, then let us make it what it should be by the introduction of the necessary amendments, if there be such.

Mr. PRIEST. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Chairman, I was wondering when the rule was presented why it was necessary that the rule waive points of order against this bill, and I have patiently waited for an answer to the question which was asked during debate on the rule by the gentleman from Virginia [Mr. SMITH] as to why it was necessary to rush this bill out at this time and push it through the House.

I think I have discovered the answer. Not being a member of the majority party, I will dare to state it. I think this is good Republican propaganda, but only Republican propaganda. The title of the bill, "To Improve Public Health,"

is something you will be able to talk about during the fall campaign, trying to fool the voters. But I doubt whether you will get away with it, because there is no improvement of the public health in this bill.

The strange thing about it is, and I have compared it very carefully with the record, that of the 17 representatives of insurance companies who attended at the White House on May 17, after the hearings had been closed—the last day of the hearings was May 7—when they attended some 10 days later at the White House and issued a statement which is now given to you as supporting the bill—not one of those persons came before the committee and submitted himself to examination by members of the committee as to the merits of this bill. If you will read carefully the statement which appears in the report over the signatures of those insurance company representatives, you will find that all they have done is to endorse the principle of the plan, and they have reservations as to what is in the bill.

If you wanted to improve the bill, in my opinion what the committee should have done is to have called those representatives before the committee and let them submit proposed amendments and discuss them before the committee and let them answer questions which could have been put to them by the membership of the committee.

Dr. Magnuson has been quoted as an authority supporting the bill. His testimony is in the record. If you will read his testimony carefully, you will find that while he, too, endorsed the principle, he tells you that this bill will not give to the masses of the people a single dollar of insurance.

You are told this is a reinsurance plan and it is to be a voluntary plan, and that the insurance companies have not heretofore done anything about the matter. Somebody has forgotten about the testimony before the committee. Refer to page 113 of the hearings. You will find there a list of 18 different companies, private insurance companies, who are today selling this very reinsurance to those who want it. There is not a word of testimony in this record, and nobody can produce a single statistic or fact showing that any company that will write an insurable risk for health or disability or accident insurance cannot get the risk reinsured if they want to reinsure it. According to your own record before the committee—see page 113—there are over $2 billion of private insurance company assets in companies now writing reinsurance of the kind you want to write into this bill with United States subsidy, to administer it for 5 years at taxpayers' expense.

Let me make this one further point, with the billions of dollars controlled by all of the private insurance companies in this country, there is not a single reason you can give why they cannot contribute a fund of $25 million for this kind of reinsurance if they need it. They do not need it when they have $2 billion of assets already at work backing up their own reinsurance program.

Mr. HESELTON. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield to the gentleman from Massachusetts.

Mr. HESELTON. I am sure the gentleman is aware of the fact that over half of the insurance of these companies is confined exclusively to cases of polio.

Mr. MULTER. Every one of these companies I referred to which are listed in your record writes health and accident reinsurance, and if a risk is not insurable it is not reinsurable. The testimony shows what the fact is, and no one in the insurance business will say "No" to it. If it is insurable it is reinsurable.

Mr. YOUNGER. Mr. Chairman, will the gentleman yield?

Mr. MULTER. I yield.

Mr. YOUNGER. The gentleman spoke about the billions of dollars the insurance companies have.

Mr. MULTER. Yes.

Mr. YOUNGER. If you realized the same billions of dollars increased by the billions of dollars that the banks and the savings and loan associations have, why did you then vote for the FHA insurance?

Mr. MULTER. For 6 years I have been alone in my committee and on this floor saying it is time you gave that back to the private enterprise of the country. That insurance, too, belongs in the field of private enterprise, and our Government has no right in that business.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. MULTER. If I have time left, I yield.

Mr. WOLVERTON. Did you vote for the Federal Deposit Insurance Corporation? And if so, why, when there were so many billions of dollars in the banks?

Mr. MULTER. Now, please—FDIC has nothing to do with this; it is not a similar program at all. The Federal deposit insurance is paid for by the banks entirely out of the earnings from the depositors' moneys.

Mr. WOLVERTON. And this will operate in the same way.

Mr. MULTER. It cannot possibly operate like FDIC.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. WOLVERTON. Mr. Chairman, I yield 5 minutes to the gentleman from Maine [Mr. HALE].

Mr. HALE. Mr. Chairman, I rise in support of this legislation, H. R. 8356, which as the Committee knows has as its purpose the establishment of a health reinsurance program.

The bill is one of a number of items on the President's health program. The idea of the bill is that private insurance organizations will take more risks and experiment more widely in health insurance programs if the Government will reinsure them for so doing.

The bill bears an obvious analogy to that providing for the insurance of bank deposits. With respect to that legislation, for example, it might have been possible to argue that good banks did not need to be insured and that the Federal Government could not afford to insure bad banks. There may be a certain amount of crude logic in such an argument, but it did not prevent the passage of the bank deposit insurance legislation, and I do not believe anybody today would favor the repeal of the legislation which provides for the insurance of bank deposits.

I wish now to devote myself very briefly to the argument advanced by the gentleman from Texas a few minutes ago. It is true that the discussion of this bill in the executive session of the committee was not prolonged, but we spent an enormous amount of time in hearings on the bill; and when the time came to vote on the bill in the executive session yesterday there was no protest from anybody that I heard that we had given insufficient consideration to the bill in executive session. Several members of the committee reserved the right to oppose the bill on the floor, which right they had as a matter of course and which is the inherent right of any member of any committee who differs from the majority of the committee.

The insinuation that this bill has been railroaded implies a criticism of the fairness of the chairman and a criticism of the fairness of the majority of the committee. I do not think such criticism is well founded. If there had been any plea that any member of the committee wanted further discussion of the bill, I am sure the chairman would have hearkened to it, and I myself would have been very willing to discuss the bill further if I had thought there was any need of further discussion.

This is a perfectly plain, straightforward piece of legislation. Either you are for it or you are against it. If you do not believe in the Government's entering into any kind of insurance plan or reinsurance plan for the benefit of the health of the people, then you ought to vote against the bill. If you do feel that maybe there is a place where the Government can function in a purely voluntary health-insurance program, I think you will vote for this bill. Perfectly frankly, it is an experimental measure, an experiment which seems to me to be worth trying. I do not believe anybody can be harmed by it.

I was impressed by a letter which I received only yesterday from the Union Mutual Life Insurance Co., which is the largest insurance company in my State. They had this to say, which I think is very interesting in view of some of the criticisms I have heard of this legislation:

> As things are now it is virtually impossible for any but the largest companies to underwrite untried risks on an experimental basis. The President's plan of voluntary reinsurance would, we feel, give the medium-sized companies, or even smaller companies, a better chance to serve the insurance-buying public on a broader and sounder basis. We also believe that with the larger number of companies who would thus be able to offer these coverages, many of whom are located in less populated areas of the country, a substantial number of presently uninsured citizens could acquire health insurance protection and service.
>
> We, of course, are quite aware of the danger of Government in the insurance field, but we prefer this voluntary method of meeting the needs of those Americans who are still uninsured though they are economically uninsurable to the other methods that have been proposed in the past. For these reasons we support the President's bills.

Mr. PRIEST. Mr. Chairman, I yield 5 minutes to the gentleman from Mississippi [Mr. WILLIAMS].

Mr. WILLIAMS of Mississippi. Mr. Chairman, first, I would like to concur in what the chairman of my committee, the gentleman from New Jersey [Mr. WOLVERTON], said a few minutes ago in outlining the consideration which had been given to the principle of health reinsurance by our committee. I concede that the committee held endless hearings on this subject and that we had several executive sessions. I am sure that the information he gave the House as to the dates on which those sessions were held is correct. However, what our chairman did not tell you was that on July 2 a committee print was made and presented to the committee on the following Friday. That was last Friday. That was a committee print that we saw for the first time; and it provided for striking out all after the enacting clause and substituting 57 pages of legislation in the form of an amendment to the bill.

I stayed with the committee for about 30 minutes, then had to go to my office to answer a phone call. After I completed the call, I started back to rejoin the committee, only to learn they had passed the bill and adjourned. So what the gentleman from Texas [Mr. THORNBERRY] told you a few minutes ago about the lack of consideration given to this specific bill by the committee is definitely true; and I would wager that no member of the committee had an opportunity to read word for word the bill before it was presented to them for a vote, with the possible exception of the chairman.

Mr. Chairman, I have no intention of speaking at length on the bill itself. After all, when you have said nothing about this bill, you have said all there is to say. Shakespeare, 400 years ago, wrote a play about this kind of legislation and he entitled that play "Much Ado About Nothing." The gentleman from Tennessee [Mr. PRIEST] who stated he was going to go along on final passage of this bill spoke with less enthusiasm than any supporter of a piece of legislation I ever saw.

As a matter of fact, there has been no great demand for this legislation, other than from a few politicians; yet there is widespread opposition, as you may know by the telegrams and letters that you have received from your districts.

To hear some of these fellows tell it, why, 150 million American people have been clamoring for the passage of this legislation. I am sure of that, because now that the legislation is before us, we have been flooded with telegrams from all of them—that is, all except 150 million. The fact of the matter is that there is no real or apparent demand for it. I have not received a single communication in favor of the legislation. Others tell me they have not either. So, who really wants it? I would like to know.

Mr. FERNANDEZ. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Mississippi. I yield to the gentleman from New Mexico.

Mr. FERNANDEZ. I am inclined to agree with the gentleman that this probably would not do any good, but can the gentleman tell me whether or not the witnesses pointed out where it does any harm?

Mr. WILLIAMS of Mississippi. Let me say to the gentleman that I took my youngster out to the park about 2 months ago, and she saw them selling cotton candy, all pink and pretty and inviting. Naturally, she had to have some. That cotton candy was pretty. It tasted sweet and smelled sweet, but when she tried to bite into it she found nothing there. This bill is like that cotton candy, all air and no substance, but costly.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Mississippi. I yield to the gentleman from New York.

Mr. MULTER. This program, if enacted, will cause expense to the United States Treasury for the next 5 years.

Mr. WILLIAMS of Mississippi. I think that has been shown conclusively on the floor. The gentleman is absolutely right.

Mr. ANDREWS. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Mississippi. I yield to the gentleman from Alabama.

Mr. ANDREWS. I would like to ask the gentleman: What is the purpose of this bill? As I understand, there is nothing compulsory about it.

Mr. WILLIAMS of Mississippi. I wish I knew. I have been trying to find out the purpose for the last year, and I cannot find out, in spite of having been exposed to long and almost endless hearings.

Mr. ANDREWS. The rates of insurance paid by policyholders will not be reduced. Is that not true?

Mr. WILLIAMS of Mississippi. No; they will not be reduced.

Mr. ANDREWS. Why the reason for this bill, then? Whom will it help?

Mr. WILLIAMS of Mississippi. I do not know, but I have my opinion. I think the real reason for this bill is that there is an election coming up next year. As we all know, there are a lot of people in favor of socialized medicine and a lot of people who are bitterly opposed to socialized medicine. Even now, I can see these spokesmen for the administration, the great Republican Party of free enterprise, standing on street corners in New York or Chicago or Detroit or any of the big cities where socialized medicine is popular, telling the people, "Look what we Republicans did. We did what the Democrats couldn't do. We gave you socialized medicine." Then I can see others going down South and out in the Midwest, where socialized medicine is unpopular, telling them, "Why, folks, look what we Republicans did. We passed a bill that will eliminate the danger of socialized medicine forever." Do you not know that is what is going to happen? Sure, they can argue on either side. And, the reason they think they are going to get by with it is because there is not enough time between now and election to put it into effect.

Mr. Chairman, the only real good that can possibly come from this bill is that it will keep at least $25 million in the United States, which may be all we will have left after the foreign-aid spenders get through with us.

Mr. WOLVERTON. Mr. Chairman, I yield 10 minutes to the gentleman from Iowa [Mr. DOLLIVER].

Mr. DOLLIVER. Mr. Chairman, I find myself in a rather unhappy position today; to rise in opposition to a bill which was reported by the committee of which I am proud to be a member. I find myself especially unhappy to be arrayed against my good friends on the committee, the chairman and my colleagues on both sides. The fact is, to bare my soul to you just a little, Mr. Chairman, I have tried very earnestly during the course of the hearings to bring myself into a position to support this legislation. I very meticulously and regularly attended all the hearings on the legislation from the very beginning, and I am afraid sometimes I was perhaps too active in examining the various witnesses that appeared before us.

Having now stated that I am opposed to the bill, I think it is only fair for me to state the reasons for my opposition. It is not because of the manner in which the bill was presented to the House. I voted for its being reported to the House, making the reservation of my right to oppose it on the floor.

But I have a number of reasons for my opposition. In the first place, this is an invasion of private enterprise and private industry. As has been pointed out here by other Members of this body, there is ample resource in the insurance business to reinsure all the health insurance programs that are now in existence, if that were desirable. But the fact is that there is no real need for reinsurance of health programs.

For example, take the Blue Shield program which, in my State of Iowa, is an organization operated by the medical doctors of the State. They agree, in the Blue Shield, that they will take care of the sicknesses of their subscribers for an agreed compensation. If they find at the end of the year that the premium payments are not sufficient to carry the load, then under the agreement under the Blue Shield the doctors take 50 percent or 60 percent, or whatever the percentage may be, of their compensation. That kind of thing is characteristic of the Blue Shield plans all over the country.

Here, in the District of Columbia, I was told when the Blue Shield first came into existence, the doctors in this area took 60 percent of their fees out of the fund in order to put it upon a sound financial basis. So, from the standpoint of the Blue Shield, there is no necessity for this kind of thing. They reinsure their own risks. Under that plan no advantage would be taken of this measure.

I do not have the time to go into all the details of various health plans, but there is instance after instance in this record of testimony that I wish I had the time to give you. I have nine different places marked on the outside of this book, where witness after witness said, "Even if this goes into effect, we will not take advantage of it, because we do not believe it would be of any benefit." So the result would be that you would inject the

Federal Government, through this program, into an area where it is not needed and the only people who would take advantage of it would be those who would be considered unsound in taking over risks of health insurance.

Mr. SMITH of Virginia. Mr. Chairman, will the gentleman yield?

Mr. DOLLIVER. I yield.

Mr. SMITH of Virginia. Does the gentleman think we should pass a bill of the magnitude and importance and far-reaching elements of this bill when the gentleman himself does not even have time to answer questions about it or explain to the House what it is all about?

Mr. DOLLIVER. I am trying to do that very thing, I will say to my colleague. I do not believe this measure is necessary. I think it invades private industry.

I have a letter in my hand which comes from one of the reinsurance companies of the Midwest. It is a five-page letter. This company is mentioned in the hearings with great favor by Mr. Faulkner who represented the United States Chamber of Commerce in opposition to this bill. He says this company is one of the leading reinsurance companies in the country. They are perfectly willing and able and are anxious to reinsure all the kind of risks that are reinsurable.

Collateral to that, of course, is another argument against the bill; that this is a complete waste of public funds. It is acknowledged to be an experimental program. Has it come to the point that the United States Government is to experiment with so important a thing as the public health? The people must depend upon their doctors to cure them of the various illnesses that afflict them? I do not think experimentation is justified. I think we can find a lot better use for the public money than to put it into this kind of enterprise. To me at least, it means an utter waste of public funds. That is a serious charge.

But I can see no use for putting up a fund of $25 million, which will either not be used at all by the legitimate insurance people of the United States or else will be dissipated by the improvident and unsound companies which write this kind of insurance.

Mr. KLEIN. Mr. Chairman, will the gentleman yield?

Mr. DOLLIVER. I yield.

Mr. KLEIN. Does not the gentleman think that the camel of socialized medicine will be getting his nose in the tent, if we pass this legislation?

Mr. DOLLIVER. I do not see any such danger of a camel getting his nose in the tent and bringing about socialized medicine. I see no such danger.

However, I should add at once, and this is another reason for my opposition to this legislation. The medical profession as a whole (there are some exceptions to be sure), but the medical profession as a whole, particularly in my own State, where I have received many letters to substantiate this viewpoint, is opposed to this legislation. They see no use for it. They feel that it is a threat and a trend toward socialized medicine. I do not share that view, but the fact remains that the medical profession by and large are opposed to this measure.

It is my opinion, if we are going to improve the health of the American people, we must have the cooperation of the medical profession. We may have some criticisms to offer to the various doctors and to their societies and associations. But fundamentally, those are the people who know how to cure human diseases and, if we do not go along with them, then our efforts are futile.

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. DOLLIVER. I yield.

Mr. BELCHER. Does the gentleman think if we start this thing with $25 million, it will ever be confined to $25 million or will it not just continue and mushroom up like all these other noble experiments that we have tried?

Mr. DOLLIVER. Of course, I cannot look into the future any more than the gentleman can. But it would seem to me that if this program is not used, it will die aborning, if the reputable insurance companies do not want to use it. In that event, it will never be used, and it will be a total and complete waste of public money and public effort. If the reinsurance is used by improvident and unsound plans, then the thing you are talking about probably will take place and American taxpayers will be called upon to bail out a lot of those unsound insurance companies.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. DOLLIVER. I yield.

Mr. HALLECK. I want to say first of all that we always enjoy listening to the gentleman. I am sorry on this occasion that I find myself in disagreement with him. But, I thought I might properly at this time make the observation which has impressed itself upon me, as I have listened to this debate. It is that some of our friends who were for the old Ewing plan are unhappy about this because they see in this possibly something that might be effective and helpful within our concept and ideals of medicine, as we have known it—so they are against it. Then, of course, there are some who believe that the Government has no responsibility in a field like this at all. So they are unhappy that even this very small start is being made. It just occurs to me that possibly we are close enough to the middle here that we can do something that might really be helpful and useful to the Nation as a whole.

Mr. DOLLIVER. I dissociate myself from either of the groups the majority leader the gentleman from Indiana [Mr. HALLECK] mentions. I do not favor socialized medicine, nor do I feel that the Federal Government has no responsibility in the field of health. But I do say that this bill will have no appreciable or helpful effect. On the contrary, it is a futile and very probably harmful effort, inimical to the best interests of the American people.

Mr. PRIEST. Mr. Chairman, I yield 5 minutes to the gentleman from Florida [Mr. ROGERS].

Mr. ROGERS of Florida. Mr. Chairman, I think we should refer to this legislation as "the noble experiment," for it is. It is a noble experiment. It has a good purpose. It is something that might prove beneficial to a portion of our citizens, at least. This is not partisan legislation. May I emphasize that when the welfare of the country or the individual is involved or in question, partnership and party politics should be thrown out of the window and true Americanism substituted therefor, and it is on this basis that we should consider this bill.

Now, let us see just what we are doing. We are establishing a Federal reinsurance fund in the sum of $25 million. That fund can be used for only one purpose; that is, for reinsurance of companies who are in the business of insuring the health of the people of this Nation. The proposals contained in this legislation itself are several, and here they are:

It is voluntary for each carrier. No carrier of life insurance has got to come to them unless they want to. It is absolutely voluntary.

Regulation of carriers remains with the States. It does not make legislation as far as the States are concerned.

It operates only where comparable reinsurance is not available. That is one of the few things that appeals to me, because I am against this Government being in every kind of business. I always have been, and I always will be. If there is any place where these health-insurance companies can go and get the money, they should be made to do it, and under this bill they will be made to do it. Just like the Reconstruction Finance Corporation: If the industry could get the money from private enterprise, this Government says, "Stay away from us." The same thing applies here. If you can get reinsurance, you must write your insurance on a sound basis. This does not authorize insurance companies to lower the standards. A man who cannot get insurance now, when this bill is passed cannot get it. It may extend the coverage to some extent and permit them to write more insurance and give more benefits to more people, but that standard is there, and we must observe that. Otherwise you cannot get reinsurance.

When Mr. Miller, representing some insurance company was before our committee, I asked Mr. Miller if he did not think it best that if the Government would set up a lending fund it would be better, a lending fund to the various insurance companies for the purpose of their setting up a fund for reinsurance purposes themselves. If they could do that, well and good. But they might not do that.

Now, there is not supposed to be any loss in the operation of this legislation. The carrier, if there should be any loss, shares in the loss. If I had a policy on our distinguished chairman, I being in the insurance business, then I could apply to the Secretary of Health, Education, and Welfare to assist me in carrying that risk for a premium. Understand that for every reinsurance policy that is issued a premium is paid into this fund, just like any other reinsurance, and the carrier is still a coinsurer.

The CHAIRMAN. The time of the gentleman from Florida has expired.

Mr. WOLVERTON. Mr. Chairman, I yield 10 minutes to the gentleman from Massachusetts [Mr. HESELTON].

Mr. HESELTON. Mr. Chairman, there have been so many statements made with reference to this bill which I do not think are in accordance with the testimony or the facts that I think my best efforts can be made in attempting to point out certain of the fallacies that have been presented heretofore.

My very good friend, the gentleman from Iowa [Mr. DOLLIVER], who sits beside me on the committee, quoted from a letter from the Employers' Reinsurance Corp., of Kansas City, signed by the president of the corporation, Mr. Sanford Miller. But in that letter is the answer to a question that has been asked me several times this afternoon. The point has been made that insurance companies could do this by themselves if they wanted to. Mr. Miller said in part this:

> It may be of interest to you that the largest portion of our reinsurance does not pertain to medical and hospital benefits but to other types of coverage such as coverage of loss of time. The reason for this, of course, is the very large loss which a primary carrier can sustain where it becomes obligated to pay a large monthly indemnity to an insured over a long period, possibly the lifetime of the insured.

There is the real reason for this program and why the Government needs to get into it in this fashion. May I repeat again what the chairman has said and what others have said in favor of this bill: This is a very limited, carefully guarded form of reinsurance following the precedent of the FDIC which was so successful; and I want to assure you that any suggestion that it would be taken advantage of by those persons who were not reputable or who did not have standing in the insurance field is fully countered by the letters which have been sent to the committee and which are in the committee's report and in the record.

In the matter of the suggestion that this would not be utilized—I think the gentleman from Iowa [Mr. DOLLIVER] made that suggestion—I would like to quote a paragraph from the letter of the president of the Connecticut General Life Insurance Co. of Hartford, Conn.:

> Some have stated that the reinsurance authorized by the bill would be little used. This is a premature judgment and one not possible of advance determination. The probability is strong that if this legislation is passed by the Congress, it will be used and will be useful to the country.

I can assure you, if you do not happen to know, that that company is considered to be one of the fine outstanding life insurance companies in the country and in New England.

Some suggestion has been made that there is practically nobody for this bill other than President Eisenhower and Mrs. Hobby. The report will indicate who is for the bill, and they certainly constitute a reputable group of citizens. Mr. William McNary appeared before the committee in his capacity as chairman of the Council on Government Relations of the American Hospital Association. He endorsed the bill and said it would be taken advantage of by the Blue Cross and the Blue Shield. I inquired of him how many members there were in the Blue Cross as of last December. Mr. McNary said:

> As of December 31 it was just a few thousand short of 43 million in the United States.

That is a fairly large group of people who would be interested in better coverage if it could be furnished to them.

Then I asked him how many hospitals there were in the American Hospital Association and he said:

> I think the figure is about 5,500.

Then I asked him if he could tell me the number of physicians interested in that particular program and the answer was that there were in the neighborhood of 100,000.

Statements made in particular by the chairman of the Committee on Interstate and Foreign Commerce and by the gentleman from Tennessee [Mr. PRIEST] are statements that will fully justify you in accepting the fact that this is a sound recommendation by this administration in the best interests of the health of the people of this country.

Mr. Chairman, I would like to refer to a most significant coincidence, and I would not inject this into this particular phase of the debate had it not occurred on the floor today. Among the most interesting developments here was that the gentleman from New York and the gentleman from Mississippi took the floor and practically admitted that this bill does have a very great appeal to the American people. I can assure you, Mr. Chairman, that this bill does have such an appeal to the American people, a very real appeal, that has been evidenced to this committee over a long period of time. I regret very much any suggestion that was made that there was any unfairness on the part of the chairman in the way this bill was handled. I was present and over a quorum of the committee was present at all times. The chairman repeatedly stated that he did not want to shut anybody off from any argument they wanted to make or from the offering of any amendments they wanted to offer.

This bill should receive the most careful consideration. It is true it has been changed in several aspects, changed I think for the better. Certain recommendations came from State insurance commissioners and we have placed safeguards in the bill so that there is no question about interference with State supervision.

Several questions have been asked during the course of consideration of this matter. I would like to tell you what some of them are and offer to you what I think are the answers.

Who will be helped by this program? It is designed to help those persons who now want and can pay for but cannot readily obtain insurance. Those are people in the rural areas, employees of small plants, the self-employed. They simply cannot qualify for this type of insurance. That is also true of people in the upper age brackets with preexisting conditions so that they cannot qualify.

The question is asked: Is this a subsidy to the insurance companies? Definitely not. Carriers will pay premiums into the fund at rates designed to insure solvency of the fund and liability is limited to the fund. The only Federal contribution is for the Administrator's expense during the first 5 years for an important activity that we should have gone into long ago—that is, the study and investigation and research into this very important field.

Another question: Is this putting the Government in the business of insurance? Does it put the Government in the insurance business? No. Commercial companies and voluntary nonprofit associations will continue to be the primary carriers. Furthermore, the bill specifically provides that if private insurance is available at comparable rates Federal reinsurance cannot be approved. The gentleman from Florida endorsed that.

Is the program likely to result in Federal control of the insurance business? No. State insurance authorities will continue to regulate the insurance business. In the bill the Secretary is instructed to do certain things, especially in determining financial responsibility, and so forth.

It should be again stressed that this is a voluntary program and no carrier needs to apply for it unless he elects to do so. If there is no Federal reinsurance the carrier is subject to none of the requirements applying to reinsurance plans. Furthermore, the Federal regulations apply only to that part of the carrier's business that is reinsured.

There is one important feature that I would like to cover. It has been suggested by the gentleman from Tennessee that he would have preferred standards if they could have been written into the bill. I started off myself with that point of view. Why is it the bill contains so few standards and gives so much administrative discretion to the Secretary? Discretionary authority is contained in the bill because of the rapidly changing character of health insurance. Health and accident insurance is a relatively new venture in this country. It would be exceedingly difficult, if not impossible, to write detailed standards into the legislation. Furthermore, standards are likely to need revision frequently. It is important to note, however, that the bill contains abundant policy guides as to benefit standards. They will be found in section 303 (a).

Is there any compulsion under the terms of the bill?

Answer: There is no compulsion under the plan. It is up to the carrier to determine whether or not application for reinsurance will be made.

The insured person will continue as before to purchase his insurance where and as he sees fit, in the amount for which he is prepared to budget from his family income.

Why is a Federal reinsurance program needed?

Answer: To stimulate experimentation looking to the development of better coverage for more people at a price

they can afford to pay. This is particularly important in the case of the aged, those living in rural areas, self-employed individuals, and employees of small firms. On the benefit side, better protection against the expenses of long-term illness is essential. Experimentation is inherently hazardous, and by sharing the risk the chances of financial disaster for individual carriers are sharply reduced.

Incidentally, a reinsurance program will focus public attention on the need for and desirability of prepaying for the costs of medical care.

What is the basis of the $25 million figure?

Answer: It is an estimate of the amount of capital that might be needed to get the reinsurance system started. The figure finally selected seemed to be a reasonable estimate.

How can the system possibly be self-supporting and still help the insurance companies?

Answer: The Secretary will have sound actuarial advice in setting reinsurance premium rates so that the system will be self-supporting. It is believed that the rates will be reasonable and attractive to insurance companies and that they will be encouraged to be more venturesome by reinsuring any unusual risks they may take in expanding or extending benefits.

How will the bill encourage the carriers to experiment?

Answer: The plan's success is entirely dependent on the ingenuity and voluntary action of insurance carriers. If carriers request reinsurance of plans to extend benefits to cover such items as you have mentioned, and if the plans are sound and the carriers meet the standards for reinsurance, they will be reinsured. In other words, this proposal is designed to encourage insurance companies and voluntary nonprofit associations on their own volition to provide more comprehensive coverage at a reasonable cost.

If this bill is passed, will it help rural families to get health insurance?

Answer: The cost of enrolling rural families is higher than the cost of enrolling urban residents. The proposal is designed to encourage insurance carriers to be more venturesome in trying to develop plans, especially group insurance, for rural families. Agricultural and fraternal organizations, and local governmental units might constitute appropriate groups. It is hoped that many carriers will be encouraged to tackle this important problem.

How will this proposal encourage companies to offer noncancelable policies? How will this bill take care of a worker during unemployment?

Answer: Authority is providing for setting standards with respect to the cancellability of policies. It is hoped that reinsurance will make it possible for more carriers to write plans that are less restrictive than many now marketed.

With respect to the coverage of workers during periods of unemployment, it may be possible for carriers to develop some type of plan which provides for waiver of premium during periods of forced unemployment.

What is it that the Government will reinsure under the proposed bill?

Answer: The Government will insure carriers against 75 percent of any loss from the operation of a particular approved prepayment plan or group of such plans during the course of the year. It is not reinsurance of any single risk, but insurance against abnormal loss from the operation of a plan.

Who will be eligible for reinsurance?

Answer: Any carrier—profit or nonprofit; Blue Cross or Blue Shield—with a prepayment health service plan which meets certain minimum standards of eligibility. See section 304, of the bill.

Will the bill serve as an entering wedge to socialized medicine?

Answer: Absolutely not. The Government would have no authority to control the practice of medicine. Health insurance would continue to be bought as it is now.

We should work for this bill if we want to support the President's specific recommendations. It is both a challenge and an opportunity to do our part in furthering a program for protecting the American people when their health is involved.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. PRIEST. Mr. Chairman, I yield 2 minutes to the gentleman from California [Mr. SHEPPARD].

Mr. SHEPPARD. Mr. Chairman, I would like to ask the gentleman [Mr. HESELTON] 1 or 2 questions. Would this bill, that you are apparently recommending for House approval, reduce the cost of premiums paid for insurance that is now being carried by policy holders in health or medical and hospital categories?

Mr. HESELTON. Mr. Chairman, if the gentleman will yield, I do not think anybody has suggested that it would reduce the cost of premiums being paid.

Mr. SHEPPARD. Well, the gentleman is carrying the bill, and I am asking for an explanation. Will it or will it not?

Mr. HESELTON. I do not think it will.

Mr. SHEPPARD. All right. The gentleman has answered my question. Will it make insurance available for any persons who cannot now afford it?

Mr. HESELTON. I doubt that.

Mr. SHEPPARD. I thank the gentleman.

Mr. HESELTON. But I do say that it ought to and I hope will make for better coverage for more people. Consequently, instead of having to pay out of their own pockets, they can be reimbursed through added health insurance.

Mr. SHEPPARD. Instead of paying out of their own pockets, which is going to happen under this bill is subsidize them by indirection through premiums received on policies not now covered?

Mr. HESELTON. I do not believe that is true.

Mr. SHELLEY. Mr. Chairman, will the gentleman yield?

Mr. SHEPPARD. I yield to the gentleman from California.

Mr. SHELLEY. Will the fact that the insurance company has to pay premiums for the reinsurance lead to a possibility that the policy holder will have passed on to him that premium which is paid as the initial cost to him?

Mr. SHEPPARD. It could be under this bill. That is my personal opinion, and I think those guiding the bill will be better able to answer that question.

Mr. PRIEST. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. MCCARTHY.]

Mr. MCCARTHY. Mr. Chairman, I think that it has been established by the proponents of the bill that this measure is in itself inadequate to meet the great problem of improving the health of the Nation. the objective which is set forth in the title of the bill. The most frequent argument that has been made for the bill here today is that it will do no harm. I suppose that that in itself is grounds for supporting the bill, if it is not recommitted, because on many occasions during the course of this session we have not been given that happy choice.

We shall not blame the committee entirely for this bill. The gentleman from Texas [Mr. THORNBERRY] said that, apparently before the committee had come to any conclusion or decision to report the bill, the chairman came in and said that the leadership asked that the bill, H. R. 8356, be reported. In 1 or 2 instances in the course of the debate today it has been pointed out that this is the President's program. If this is the health program, it is much like the education program we passed about a month ago to meet the educational problems of the country. We can, by supporting the bill, help the majority party to fulfill one of its campaign promises in letter, at least, if we cannot help them fulfill it in substance. In the last few days we have seen the majority party repudiate the campaign promises made in regard to the farm program of the country. According to the report of the National Industrial Conference Board, the dollar, last month, fell to its lowest point in the 169 years of its history. Apparently that is the fulfilment of the hard-money promise, the sound dollar, the dignified dollar promise which was made in the course of the last campaign.

It is unnecessary to talk about the failure of balancing the budget, about the condition of the national debt, because no one should have expected the fulfillment made of these promises. But I do feel that there are certain areas in which the majority party should be held accountable for irresponsible statements, in the course of the last campaign and before that campaign, and in the early days of this administration. This is particularly true in the field of foreign policy. In this most difficult situation there is little cause to rejoice, to be encouraged to learn, that the Secretary of State has gone to Paris in order to provide initiative in foreign affairs at the Geneva Conference.

So far as this particular bill itself is concerned, it seems to me that it should have been assigned to the Committee on Banking and Currency because it deals principally and directly with financial matters rather than health matters. Other programs of this kind are under the jurisdiction of that committee. Leg-

islation for the Federal Deposit Insurance Corporation is under the jurisdiction of the Committee on Banking and Currency; the FHA program comes under that committee; the Commodity Credit Corporation underwriting operation is within the jurisdiction of the Committee on Banking and Currency. The same is true, I believe, of the crop-insurance program and other underwriting programs both domestic and international economy.

Mr. BURDICK. Mr. Chairman, will the gentleman yield?

Mr. McCARTHY. I yield to the gentleman from North Dakota.

Mr. BURDICK. As I understand from what the gentleman has said, he does not feel that this bill will give very much protection to the people who need it.

Mr. McCARTHY. That is right.

Mr. BURDICK. Then why does the gentleman support a bill like that?

Mr. McCARTHY. We have been assured that it will do no harm. It is not every day that we get a chance to support a bill which will do no harm. I would rather see it recommitted to the Banking and Currency Committee.

Mr. PRIEST. Mr. Chairman, I yield three minutes to the gentleman from New York [Mr. KLEIN].

Mr. KLEIN. Mr. Chairman, it seems to me at this late hour, after having debated this so-called bill for 2 hours, if we are not entirely confused about what this bill intends to do, we certainly must be disillusioned about what it actually will do.

The gentleman from Massachusetts [Mr. HESELTON] when he spoke here a minute ago, in that colloquy admitted that it will not decrease the cost of medical insurance throughout the country. He further admitted that it will not decrease the cost of medical care to the people of this country.

I believe I brought out when I had the floor earlier that it would not extend medical insurance coverage to people in the lower income groups, those making less than $3,000 a year who cannot afford at the present time to carry medical insurance, because the costs are too high.

Then what are we doing? What is this bill supposed to do? We are taking $25 million of Government funds and practically giving it to these insurance companies who do not want it and who certainly do not need it. Representatives of these companies testified before our committee that they do not believe that this bill will work; they do not believe it will have the effect which the proponents say it will have. Then why are we taking all this time other than, as the gentleman from Minnesota [Mr. McCARTHY] pointed out a few moments ago, to bail out this administration, to bail out the President, to help him fulfill some of the campaign promises that he has made?

We have never had any partisanship in our committee. I think the gentleman from New Jersey, the chairman of the committee [Mr. WOLVERTON] will agree to that. We made a trip under Democratic auspices. We went to England, we went to Sweden, to study various health plans, and that was done under the chairmanship of the gentleman from Ohio [Mr. CROSSER]. There was a very earnest and nonpartisan desire to do something about the problem of the medical needs of the people of this country, and the problem of extending medical insurance to the lower-income groups of this country.

Who needs medical insurance? The wealthy people do not need it. They can afford to pay private doctors, and they do. If we are going to have medical insurance, let us give it to the people who need it. If we are going to do something for them, let us do something—and this bill does not do it—that will bring medical insurance to those people who need it, who want it, but who can't afford it. There has been much talk about the Blue Cross plans and many other of the so-called prepayment plans. I tell you, Mr. Chairman, that the great majority of the people of this country do not belong to those plans for the very simple reason that they cannot afford them. Even those plans, and they cost much less than you would have to pay a private physician, but even those plans call for premiums and fees which are too high for many people. What we ought to do, and what this great committee can do, is to bring in some kind of plan of medical insurance for the people of this country which will help those less fortunate people and will enable them to subscribe to that type of insurance.

Mr. WOLVERTON. Mr. Chairman, in the 1 minute that remains, I do not have the opportunity to make as complete an answer as I would like to the statements that have just been made by the gentleman from New York. However, when they talk about the idea that it will not reduce the cost, I must point out to you that it is not intended to do that. This bill is for the purpose of operating in a field where there is no insurance, where there are no premiums, and where there is no cost, and which, if there were, would be such prohibitive costs that there would probably be no one who would be able under the circumstances to take advantage of it; but as long as it does not exist at all and the provision is made in this bill that where insurance does exist, then there is no right in the Secretary to reinsure any policy that would be in competition with any policy that is already in existence.

The CHAIRMAN. All time for general debate has expired. The Clerk will read the committee substitute as an original bill for the purpose of amendment.

Be it enacted, etc.—

SECTION 1. This act may be cited as the "Health Service Prepayment Plan Reinsurance act."

Mr. NEAL. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I think the last statement of the chairman of this committee is a practical admission that this bill has no particular use. I have been associated with the practice of medicine for almost half a century. I have seen the changes that have come and gone in the ways and methods and adaptations of the medical profession and of the insurance companies during that almost half century. I want to say to you this has been an evolutionary program, and that in spite of the remark that was made by one of the gentlemen this afternoon that anything the American Medical Association was for, he would be against, I want to assure you that the American Medical Association, with its farflung agencies and its associations, with the scientific, cultural and health and welfare people throughout this country in the last half century has actually done more good than any other agency. It has correlated the various activities right along. While you may criticize the American Medical Association for some of its activities and some of the things for which it stands, you must recognize it does have a lot to its credit. When it comes to this reinsurance proposition, you all know that 50 years ago, we had practically no experience upon which to base the rates for any kind of insurance—life insurance, health insurance, sickness, accident insurance or whatnot. That experience has gone on over a long period of time, and each year those of you who are acquainted with the execution of medical certificates as medical men or as one who has been connected with insurance know that year after year the provisions of those policies are more liberal and less expensive, simply as a result of trial and error. They have done that in a practical way. They have been able to accomplish what we have today in the way of insurance. Now we come along here with our Federal Government and we say that is not moving fast enough, and we put in a suggested program here that will affect only those people in our society who are employed, who have wages from which they can spare enough to pay this prepaid insurance. If they are to assume this—they have always paid their premiums—you say we will put up $25 million to get this thing started, and as the premiums accumulate then that $25 million is going to be repaid and the Government will have it back. But at the same time you have established a very great increase in the cost of insurance to every individual that carries insurance. It is not going to do them any particular good.

Insofar as chronic heart disease, tuberculosis, cerebral palsies and all those things that we have that are practically incurable, it is not going to do anything there because that is a risk that no insurance company will take. If an insurance company is not going to take the risk, certainly the people who make the premiums on those policies are not going to take it either. So I can see no reason for a bill of this kind. It is only establishing another agency from which we do not expect to get anything except a few more Government jobs and a little more bureaucracy.

Mr. BURDICK. Mr. Chairman, will the gentleman yield?

Mr. NEAL. I yield to the gentleman from North Dakota.

Mr. BURDICK. Do you see any benefits flowing from this bill that will reach the people who really need it?

Mr. NEAL. The people who actually need protection are the people who are unemployed, the people who are beyond

an age where they can pay these premiums, people who are indigent, people who, through accident or ill health, are no longer able to provide for themselves. Those people are not touched by this thing at all. If we are going to pass legislation that is intended to reach the people who need it, we will certainly not do it by this bill.

The CHAIRMAN. The time of the gentleman from West Virginia has expired.

Mr. JAVITS. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. JAVITS: Strike out all after the enacting clause and insert:

"SEC. 1. This act may be cited as the 'National Health Act of 1954.'

"SEC. 2. The Public Health Service Act is hereby amended by inserting at the end thereof the following:

"'TITLE VII—IMMEDIATE HEALTH AND MEDICAL SERVICE PROGRAM

"'PART A—DECLARATION OF PURPOSE

"'*Declaration of purpose*

"'SEC. 701. It is the purpose of this title to provide, pending the initial detailed study under title VIII of the present health and medical needs of the Nation, immediate Federal assistance so as (A) to enable voluntary prepayment health service plans to make their services generally available in the communities which they serve at charges based on the income of the subscribers; (B) to encourage the establishment of local administrative facilities embracing functional health service regions and districts in order to facilitate the effectuation of present and future health programs; (C) to enable nonprofit hospitals and medical and nursing schools to maintain and improve their services and facilities; and (D) to assist voluntary prepayment health service plans to construct and equip personal health service centers.

"'PART B—ADMINISTRATION

"'*Administration by Surgeon General*

"'SEC. 711. (a) The Surgeon General is authorized to make such administrative regulations and perform such other functions as he finds necessary to carry out the provisions of this title. Any such regulations shall be subject to the approval of the Administrator.

"'(b) In administering the provisions of this title, the Surgeon General, with the approval of the Administrator, is authorized to utilize the services and facilities of any executive department in accordance with an agreement with the head thereof. Payment for such services and facilities shall be made in advance or by way of reimbursement, as may be agreed upon between the Administrator and the head of the executive department furnishing them.

"'(c) In administering the provisions of this title, the Surgeon General shall cooperate with and render advice and assistance to States and appropriate public authorities therein in formulating and operating State plans under this title.

"'*Federal Health Council*

"'SEC. 712. (a) In administering this title the Surgeon General shall consult with a Federal Health Council consisting of the Surgeon General, who shall serve as Chairman ex officio, and 10 members appointed by the Administrator. No person shall be appointed by the Administrator as a member of the Federal Health Council who is professionally engaged in the provision of health or medical services. Each appointed member shall hold office for a term of 5 years, except that any person appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the remainder of such term, and the terms of office of the members first taking office shall expire, as designated by the Administrator at the time of appointment, two at the end of the first year, two at the end of the second year, two at the end of the third year, two at the end of the fourth year, and two at the end of the fifth year after the date of appointment. The Council is authorized and directed to appoint special advisory and technical committees of persons who are expert in the various subdivisions of the health field to assist the Council in the performance of its functions. Members of the Council appointed by the Administrator, and members of advisory or technical committees, while serving on business of the Council, shall receive compensation at rates fixed by the Administrator, but not exceeding $50 per day, and shall also be entitled to receive an allowance for actual and necessary traveling and subsistence expenses while so serving away from their places of residence. The Council shall meet as frequently as the Surgeon General deems necessary, but not less than once each year. Upon request of three or more members, it shall be the duty of the Surgeon General to call a meeting of the Council.

"'(b) The Federal Hospital Council created by section 633 of this act is hereby abolished, and its functions and duties are transferred to the Federal Health Council.

"'PART C—ASSISTANCE TO VOLUNTARY NONPROFIT PREPAYMENT HEALTH SERVICE PLANS

"'*Definitions*

"'SEC. 721. As used in this part, the term—

"'(a) "Personal health services" means services rendered to individuals by licensed physicians, licensed dentists, and, under the supervision of licensed physicians or dentists, by auxiliary personnel, including nurses and attendants, laboratory and X-ray technicians, physiotherapists, psychologists, dental hygienists, optometrists, podiatrists, medical social workers, and health educators or counselors, whenever and wherever required for the improvement or preservation of physical and mental health or for the diagnosis and treatment of disease or injury; the use by such licensed or auxiliary personnel of any and all apparatus or machines designed to aid in the diagnosis or treatment of disease or injury; the provision of bed and board in general or special hospitals, convalescent homes, sanatoria, or other institutions licensed or designated as such by a State when care in such institutions is prescribed by licensed physicians; and the provision of drugs and medicines, dressings and supplies, prostheses and appliances (including eyeglasses), and ambulance service, when prescribed by licensed physicians—except as such services or goods may be required in connection with the diagnosis or treatment of injury or disease to which the workmen's compensation law of a State or of the United States applies.

"'(b) "Prepayment health service plan" means a membership or cooperative corporation (no part of the net earnings of which inures to the benefit of any private shareholder or individual), engaged exclusively in operating a plan designed to provide benefits in respect of specified personal health services in return for prepaid subscription charges.

"'(c) "Cooperating prepayment health service plan" means a prepayment health service plan whose application to participate in at least one regional program under a State plan under this part has been approved by the appropriate public bodies (as provided in section 723) and which agrees—

"'(1) that at all times a majority of the members of the governing board shall be persons who do not themselves furnish, or represent other persons that furnish, health services;

"'(2) that the benefits offered, which are within the limits of the authorized coverage under the State's program, will be offered to subscribers under contracts with them which have been approved by the applicable health region authority (such contracts being hereinafter called "participating contracts"); and

"'(3) that, in the case of its participating contracts—

"'(A) it will make its benefits available to the subscriber, and to the subscriber's dependents (the subscriber and his dependents together being hereinafter referred to as "beneficiaries") in return for a subscription charge fixed in terms of the subscriber's income;

"'(B) it will limit the proportion of its beneficiaries who reside outside 1 State, or 1 health service district, as the case may be, to not more than 25 percent of its total number of beneficiaries;

"'(C) it will accept (subject to the requirements of subparagraph (B)) to such number, or to such proportion of total enrollment under its participating contracts, as the applicable health region authority may prescribe, any nongroup applicant as a subscriber who applies and pays the subscription charge, and will accept such applications to the number or proportion so prescribed in the order in which they are received; and

"'(D) it will maintain reserves, and contribute to a consolidated reserve held by the State for all cooperating prepayment health service plans operating therein, to the extent required by the applicable State health council.

"'(d) "Service benefits" means benefits furnished by a prepayment health service plan in the form of full payment for specified personal health services of licensed physicians, hospitals, and other health personnel and institutions, that have entered into agreements with the plan to render such services to beneficiaries of the plan for stated fees or charges (whether fee-for-service, per capita, or other fees or charges) to be paid to them by the plan in full and complete payment for such services.

"'(e) "Indemnity benefits" means benefits provided by a prepayment health service plan in the form of payment by the plan of specified sums of money toward the cost of specified personal health services to beneficiaries of the plan, such payment being made either to the beneficiary or to the provider of such services, and not necessarily covering the full cost of such services.

"'(f) "Subscriber's income" means the adjusted gross income (as defined in section 22 (n) of the Internal Revenue Code) of the subscriber, except that such term shall not include any part of his adjusted gross income that exceeds $5,000.

"'(g) "Dependent" of a subscriber means the spouse of the subscriber and each unmarried member of his family under the age of 18, provided such spouse or other member of his family, as the case may be, lives in the subscriber's household and has adjusted gross income (as defined in section 22 (n) of the Internal Revenue Code) of less than $500 per annum.

"'(h) "Health service region" means a region which is coterminous with a "region" established by the State for the purposes of the State plan under title VI of this act, or a region designated by the governor of the State with the object of delimiting a broad natural health service area.

"'(i) "Health service district" means a logical grouping of two or more health service regions (not necessarily in the same State) for achieving an interrelated network of health personnel and facilities centering on a 4-year medical college, whose central facilities can most effectively and economically provide outlying areas with services and personnel in connection with personal health

services, public health services, and medical research and education, that cannot be provided as economically and effectively by the outlying areas themselves.

"'(j) "Special need area" means a subdivision of a health service district, consisting of 1 or more health service regions no 1 of which has, on the date of the enactment of this act, more than 8 physicians in active practice per 10,000 population.

"'(k) "Selection factor" means a factor reflecting an increase or decrease in costs of furnishing benefits under prepayment health service plans that may reasonably be expected to result from an abnormal number of beneficiaries in a particular classification that statistically has an important health significance. The various selection factors shall be fixed annually by the Surgeon General and prescribed by him by regulation.

"'(l) "State" includes the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

"'Appropriation for grants to States to assist cooperating prepayment health service plans to make their services generally available throughout the regions and districts which they serve

"'SEC. 722. There is hereby authorized to be appropriated for each fiscal year up to and including the fiscal year ending June 30, 1957, a sum sufficient to carry out the purposes of this title. The sums made available pursuant to this section shall be used for making payments to States which have submitted to the Surgeon General State plans that have been certified by the governor of the State as meeting the requirements of section 723 and the regulations of the Surgeon General issued pursuant thereto. A State plan which has been so submitted and certified is hereinafter referred to as an "approved State plan."

"'Requirements for State plans

"'SEC. 723. A State plan under this part—

"'(a) shall provide for financial assistance by the State to cooperating prepayment health service plans, as hereinafter set forth;

"'(b) shall designate a single State agency to administer the State plan (which may be the same State agency as that which administers the State plan under part C of title VI of this act), subject to the powers of the State health council and the health region authorities, as hereinafter specified;

"'(c) shall provide for a State health council, established by law in the State to advise and consult with the State agency designated to administer the State plan and to perform the functions under the State plan hereinafter specified, the State health council to be appointed by the governor and to consist of persons who are members of health region authorities provided for in subsection (d) of this section.

"'(d) shall provide for health region authorities established by law in the State, for each region that is designated by the governor of the State as being a health service region within the meaning of section 721 (h);

"'(e) shall provide that members of health region authorities shall be appointed by the governor of the State, without regard to their political affiliations, from among persons residing in the region who do not hold positions of administrative responsibility for any health program or other activity of the State or any political subdivision thereof, and who are not professionally engaged in the provision of health or medical services;

"'(f) shall (by compact or agreement with one or more States if necessary) (1) specify the groupings of health service regions that are to comprise health service districts (within the meaning of section 721 (i)), (2) establish such groupings as health service districts, (3) create a district health council for each such district, whose members are members of health region authorities of the health service regions included in the district, and (4) authorize such district health councils to institute programs designed to accomplish the purposes of the health service district (as set forth in section 721 (i));

"'(g) shall require health region authorities to establish and consult with a representative committee in each health area which is a component of the region; and shall further require health region authorities, district health councils, and the State health council to appoint and consult with technical advisory committees on the principal elements of health service, the membership of such committees to be representative of the several health professions;

"'(h) shall make adequate provision out of general revenues of the State for the expenses of health region authorities and the State health council;

"'(i) shall require the State health council—

"'(1) to determine and prescribe, on the basis of health personnel and facilities available or reasonably obtainable in each year within the various health service regions of the State, and within such limits as may be prescribed under the State law, the kinds of personal health services that may be included under participating contracts by cooperating prepayment health service plans during the calendar year next beginning, and the kinds of benefits that may be included under such contracts during such year with respect thereto; and

"'(2) to prescribe the reserve requirements for cooperating prepayment health service plans, including the proportion of the reserves that must be deposited with the State as a consolidated reserve for all cooperating prepayment health service plans.

"'(j) shall provide that no prepayment health service plan may participate in the State program unless it has filed application so to do on a form prescribed by the State health council, and has been approved as a cooperating prepayment health service plan by the health region authority of the region in which the plan principally operates or proposes to operate and also by the State health council; or, in the event the plan operates or proposes to operate through a coordinated health service system of a health service district comprising regions extending beyond the boundaries of the State, unless it has been approved by the district health council and also by the State health council of each of the participating States;

"'(k) shall provide that no prepayment health service plan which operates or proposes to operate through a coordinated health service system of a health service district may be approved as a cooperating prepayment health service plan unless it agrees that a percentage (specified by the district health council) of its gross income (including as part of gross income all Federal, State, and local grants of public funds) will be used for making payments to the medical college or colleges whose central facilities serve the health service district, adequate to finance postgraduate study by participating physicians and other professional personnel, clinical research by such personnel, the maintenance of internships, externships, and fellowships, and the operation of other programs which do not provide personal health services directly to beneficiaries but which are designed to achieve and maintain a high quality of health care in the health service district;

"'(l) shall require each health region authority, for the calendar year next beginning—

"'(1) to estimate the "cost norm" of the region, which shall be an estimate of the amount that it should normally cost, per beneficiary, for cooperating prepayment health service plans operating in the region to provide service benefits for the following combination of personal health services;

"'All services of licensed physicians in the home, office, or hospital (including periodic health examinations, diagnostic examinations and tests, and immunizations and other preventive services); hospital services while a bed patient in a hospital (including bed nursing, X-ray and laboratory examinations and tests, and all forms of treatment commonly furnished in a hospital) in minimum accommodations adequate to care of the case, for a period of 30 days in the aggregate during a subscription year; visiting-nurse service and ambulance services when prescribed by a licensed physician in attendance on the case; rehabilitation training and treatment under the supervision and direction of a licensed physician: *Provided*, That the estimate of the cost norm of the region shall not take into account medical services for (A) tuberculosis requiring treatment at a sanatorium or special hospital; (B) mental or nervous disorders, after diagnosis, for which care by a psychiatrist is required; (C) chronic illnesses in an institution other than a hospital for general care: *Provided further*, That nothing in this section shall preclude any State health council from authorizing benefits under participating contracts beyond those taken into account in estimating the cost norm of the region.

"'(2) the estimate of the cost norm of the region shall be based on the most recent available data regarding the composition of the average population group, the normal utilization of personal health services, and the prevailing form of medical practice, in the region, and on fair and reasonable fees and charges for personal health services, and shall include a reasonable allowance for overhead and other expenses of cooperating prepayment health service plans in the region;

"'(3) the estimate of the cost norm of the region shall be subject to final determination by the State health council.

"'(m) shall require each health region authority—

"'(1) to study each proposed participating contract submitted to it by cooperating prepayment health service plans in the region, for the purpose of determining whether such contract may be approved as a participating contract under the State plan, and, subject to final determination by the State health council, to approve such contracts as participating contracts if it finds that they comply with the State plan: *Provided*, That in no event shall approval be withheld because of the form of medical practice contemplated under the arrangements made with persons to furnish the personal health services under such contracts;

"'(2) in the case of participating contracts that offer all of the benefits outlined in subsection (1), to prescribe the cost norm of the region as the "allowed cost" per beneficiary of such participating contract; and

"'(3) in the case of each participating contract that offers specified benefits that are different from those outlined in subsection (1), to estimate, on the basis of the cost norm prescribed under subsection (1), the amount that it should normally cost, per beneficiary, for cooperating prepayment health service plans operating in the region to provide such specified benefits, and, subject to final determination by the State health council, to prescribe such estimated cost as the "allowed cost" per beneficiary of such participating contract.

"'(n) shall provide with respect to subscription charges of cooperating prepayment health service plans—

"'(1) that the subscription charges for participating contracts shall be fixed in terms of a percentage of the subscribers' family income, which percentage shall be the same for all subscribers under each participating contract;

"'(2) that the minimum percentage of subscribers' family income that may be fixed for a participating contract shall bear the

same ratio to 3 percent as the allowed cost of such contract bears to the cost norm of the region;

except that in no event shall the minimum subscription charge for any combination of benefits be less than $6 for any subscription year, and except that after the calendar year 1954, the Surgeon General, with the advice of the Federal Health Council, may by regulation change the percentage rate, prescribed in paragraph (2), that is used as a measure for computing minimum subscription charges;

"'(o) shall provide (1) that there shall be advanced to each cooperating prepayment health service plan at the beginning of each quarter of the applicable calendar year an amount, with respect to each person it is estimated will be a beneficiary under each participating contract during the quarter, equal to the excess, if any, of the allowed cost of such contract per beneficiary (after adjusting such cost to reflect the relevant estimated selection factors) over the estimated subscription income of the contract per beneficiary, and (2) that such advances shall be adjusted, by additions to or subtractions from subsequent advances, when the actual earned subscription income, the actual number of beneficiaries, and the actual selection factors during the quarter become known: *Provided,* That no deduction shall be made from any such advances on account of savings accruing to a cooperating prepayment health service plan to which the actual cost of providing benefits under an approved contract is less than the allowed cost of such contract (after taking into account the actual selection factors): *And provided further,* That such plan may, in its sole discretion, apply such savings to the provision of additional benefits to its beneficiaries;

"'(p) shall provide that the income, property, franchises, and transactions of cooperating prepayment health service plans shall be exempt from all taxes imposed by the State or by any political subdivision thereof;

"'(q) shall provide for the supervision of the operations of cooperating prepayment health service plans by the State agency designated to administer the State plan;

"'(r) shall authorize and direct the State agency designated to administer the State plan to appoint a receiver for any cooperating prepayment health service plan when requested so to do by the health region authority having jurisdiction over such health service plan; and shall authorize any health region authority to request the State agency to appoint a receiver for a cooperating prepayment health service plan over which the health region authority has jurisdiction whenever, by reason of excessive overhead and other expenses, or invasion of required reserves, the health region authority is of the opinion that the solvency of the health service plan or its continued economical and effective operation for the benefit of its beneficiaries is in jeopardy;

"'(s) shall provide that the health region authorities and the State health council shall make reports to the Surgeon General at such times, and containing such data, as the Surgeon General, with the advice of the Federal Health Council, may by regulations prescribe;

"'(t) shall make provision, in laws enacted by the State legislature, authorizing any group of persons in good faith proposing to establish a prepayment health service plan to incorporate for such purpose as a membership or cooperative corporation; and shall, by changes in the State laws regarding incorporation and supervision of prepayment health service plans that are in operation in the State when this title becomes effective, or by such other means as may be necessary or appropriate, permit such plans to promptly qualify for becoming cooperating prepayment health service plans under this title;

"'(u) shall make provision authorizing employers (including the State or any political subdivision when acting as an employer) to contribute to the payment of their employees' subscription charges in prepayment health service plans, and shall also make provision permitting any employee to authorize his employer (including the State or any political subdivision when acting as an employer) to deduct subscription charges in a prepayment health service plan from the employee's wages and on behalf of the employee to pay the amounts so deducted directly to the prepayment health service plan in which the employee is a subscriber;

"'(v) shall make provision for the payment, in whole or in part, of subscription charges to cooperating prepayment health service plans of persons who become entitled to receive unemployment compensation and of persons who are receiving any form of public assistance;

"'(w) shall authorize the health region authorities and the State health council to contract with the Federal Health Study and Planning Commission for the purposes specified in title VIII;

"'(x) may provide a program for special need areas, as set forth in section 724;

"'(y) shall contain provisions for the making of noninterest-bearing loans by the State to assist in the initial establishment of prepayment health service plans whose sponsors agree to operate them in conformity with the requirements for cooperating prepayment health service plans, such loans being made only for matching funds provided for the same purpose from private sources in the form of contributions or noninterest-bearing loans.

"'State programs for special need areas

"'SEC. 724. (a) A State plan under this part may contain provisions (including compacts or agreements with other States) for participation by the State in special programs for special need areas. Such provisions of the State plan shall require that each district health council shall, within 12 months of being appointed, estimate the net cost, for a period of 5 years, of a program designed to supply the personnel, and to maintain the facilities required to furnish in the special need areas, if any, within the district at least the services specified in section 723 (1) of this title, such estimate taking into account income to be derived from one or more cooperating prepayment health service plans furnishing the appropriate coverage and from fees paid for services rendered to residents of the district who do not, for whatever reason, become subscribers to such a plan or plans. Such estimated cost, if approved by the State health council (or in case the special need area extends beyond the boundaries of a single State, by the State health councils of all the participating States) shall be used as a basis for grants of public funds to effectuate the program for the area.

"'Payments to States

"'SEC. 725. (a) From the sums appropriated pursuant to section 722 for any fiscal year, the Surgeon General shall pay to each State which has an approved State plan during any part of such fiscal year, for each quarter an amount not greater than the Federal percentage of the total sums certified by the governor of the State as having been paid under the State plan during such quarter by the State and political subdivisions thereof to cooperating prepayment health service plans—

"'(1) in respect of their participating contracts, except that the amount paid by the Surgeon General for this purpose for any quarter, when divided by the number of beneficiaries of cooperating prepayment health service plans operating in the State, shall not exceed $3.75; and

"'(2) as loans pursuant to section 723 (y) to assist in the establishment of prepayment health service plans.

"'(b) From the sums appropriated pursuant to section 722 for any fiscal year, the Surgeon General shall pay to each State which has an approved State plan during any part of such fiscal year, for each quarter an amount not greater than the Federal percentage of the total sums (exclusive of administrative expenses of district health councils) certified by the governor of the State as having been paid under the State plan during such quarter by the State and political subdivisions thereof to effectuate programs under section 724 in special need areas any portions of which lie within the boundaries of the State, plus an amount equal to the total sums certified by the governor of the State as having been paid under the State plan during such quarter by the State and political subdivisions thereof as administrative expenses of district health councils for health service districts any portions of which lie within the boundaries of the State.

"'(c) The method of computing and paying such amounts to the States shall be as follows: The Surgeon General shall, prior to the beginning of each quarter, estimate the amount to be paid to the State under subsection (a), such estimate to be based on reports filed by the State containing its estimates of the various sums to be paid under the State plan in such quarter by the State and political subdivisions thereof. The Surgeon General shall then, prior to audit or settlement by the General Accounting Office, pay to the State the amounts so estimated by him, reduced or increased, as the case may be, by any sums by which he finds that his estimates for any prior quarter were greater or less than the amounts which should have been paid to the State under subsections (a) and (b).

"'(d) For the purposes of this section the "Federal percentage" for any State shall be 100 percent less that percentage which bears the same ratio to 50 percent as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska) except that (1) the Federal percentage shall in no case be more than 75 percent or less than 33⅓ percent, and (2) the Federal percentage for Alaska and Hawaii shall be 50 percent each, and the Federal percentage for Puerto Rico and the Virgin Islands shall be 75 percent each. The Federal percentages shall be promulgated by the Surgeon General between July 1 and August 31 of each year, on the basis of the average of the per capita income of the States and of the continental United States for the three most recent consecutive years for which satisfactory data are available from the Department of Commerce.

"'Authorization of compacts between States

"'SEC. 726. The consent of Congress is hereby granted to any two or more States to enter into compacts or agreements with respect to the administration and operation of programs under this title in health service districts portions of which lie within such States.

"'Federal payroll deductions

"'SEC. 727. Upon the direction of any officer or employee of the Government of the United States, including members of the Armed Forces, requesting the Government to deduct from the salary of such person a fixed sum or percentage to be paid to any prepayment health service plan, such sum or percentage shall be deducted as requested and paid as directed. "Officer or employee of the Government of the United States" as used herein shall include any officer or employee of any corporation the stock of which is wholly owned by the Government of the United States, as well as any officer or em-

ployee of any department, bureau, agency, or division of the Government of the United States.

"'Operation of State plans

"'SEC. 728. (a) If the Surgeon General, after reasonable notice and opportunity for hearing to the State agency, finds (1) that the State agency is not complying substantially with the provisions of the State plan, or (2) that any Federal funds have been diverted from the purposes for which they have been paid under this title, the Surgeon General, with the approval of the Administrator, shall forthwith withhold further payments to the State under section 725 until he is satisfied that the conditions which required him to withhold such payments no longer exist.

"'(b) If any State is dissatisfied with the Surgeon General's action under subsection (a), such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Surgeon General shall forthwith certify and file in the court the transcript of the proceedings and record on which he based his action.

"'(c) The findings of fact by the Surgeon General, unless substantially contrary to the weight of evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Surgeon General to take further evidence, and the Surgeon General may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the transcript and record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive unless substantially contrary to the weight of the evidence.

"'(d) The court shall have jurisdiction to affirm the action of the Surgeon General or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in title 28 of the United States Code, section 1254.

"'Saving provision

"'SEC. 729. Nothing in this title shall modify obligations assumed by the Federal Government under other laws for the hospital and medical care of veterans or other presently authorized recipients of hospital and medical care under Federal programs'."

Mr. JAVITS. Mr. Chairman, I have offered this amendment, the National Health Act of 1954, as a substitute to the bill in order to call to the attention of the House exactly what is our situation.

This bill, which I will ask unanimous consent to withdraw when I have finished my statement, is an alternative to the original health insurance plan of former President Truman, introduced by Republicans since 1949. It was drafted in 1948 under extremely competent auspices, and has been variously sponsored in this House by Members whom we all respect very highly. For example, it was sponsored by the now Governor of Massachusetts, Mr. Herter. It was sponsored by the present Vice President, Mr. Nixon. It was sponsored by my colleague from Maine [Mr. HALE]. And it was sponsored by distinguished members of the other body.

The conception of this bill was that we could give Government aid to local voluntary health plans and thus enable them to take care of the problems of those who had low incomes and could not afford to pay the premiums now required for these plans, by some form of Government subvention to the voluntary health plans, but without any danger of what some call socialized medicine, because the cooperative plans and those who participated would choose their own physicians just as they do today. A résumé of the National Health Act of 1954 is as follows:

The proposed National Health Act of 1954 would amend the already existing Public Health Service Act by (a) adding a new title VII which provides an immediate health and medical-service program; (b) adding a new title VIII which provides for a long-range survey of national health needs; (c) expanding existing provisions for hospital construction and adding new provisions for aid to medical and nursing schools; and (d) adding provisions for local public health units.

NEW VOLUNTARY HEALTH AND MEDICAL-SERVICE PROGRAM

The purpose of this program is to provide immediate assistance so as first, to enable voluntary prepayment health-service plans to make their services generally available in the communities which they serve at charges based on the income of the subscribers; second, to encourage the establishment of local administrative facilities embracing functional health-service regions and districts in order to facilitate the effectuation of present and future health programs; third, to enable nonprofit hospitals and medical and nursing schools to maintain and improve their services and facilities; and, fourth, to assist voluntary prepayment health-service plans to construct and equip personal health-service centers.

The key to the new health and medical program is the local voluntary prepayment health-service plan. Many such plans are in operation today. Both new and existing plans, to qualify for Federal-State aid, would be required to base their rates of payment by subscribers upon a percentage of the subscribers' adjusted gross income—up to $5,000—and under each plan a majority of the Board of Directors must be laymen.

Primary responsibility for the development of adequate health service would be placed in the States and local communities. In order to participate in the program, each State would set up a State health council. This council would divide the State into several regions, a number of which have already been established under the Federal Hospital Construction Act. Each region would be managed by a health region authority, composed of laymen appointed by the Governor.

Individuals would obtain medical care for themselves and their families by voluntarily subscribing to a cooperating, voluntary, nonprofit, prepayment health plan. Membership would be in a group plan or on an individual basis—with the Health Region Authority determining the number of nongroup applicants the plans can accept. Further provision would be made regarding the limit on the number of out-of-State beneficiaries a plan might include.

A national yardstick in the form of a comprehensive range of benefits would be established. The cost for this particular coverage would be estimated by the health region authorities for each health region. The subscription charge for this range of benefits could not be less than 3 percent of the subscriber's income under $5,000. Plans could offer more or less comprehensive benefits than those contained in the national yardstick and as the range of benefits offered might vary, so the rates would be required to vary from the 3 percent minimum for national yardstick benefits. The State through the State health council would determine the maximum range of services all the plans in the State might offer. The minimum charge for participation in a plan would be $6 a year.

FEDERAL-STATE AID TO LOCAL PLANS

The States would be able to expend funds, a percentage of which would be reimbursable by the Federal Government, for payments to voluntary plans to meet any deficit between the aggregate of income from subscription charges and the allowed cost calculated by each health region authority, as the normal cost of supplying benefits under each approved contract.

The basic formula for Federal aid under this bill would follow the lines of the Hospital Construction Act. Federal aid would be granted a State in inverse proportion to its per-capita income. States qualifying for the maximum percentage would receive Federal aid at a ratio of 3 Federal dollars for every State dollar devoted to the program; those with the highest per-capita income, subject to the minimum percentage, would get 1 Federal dollar for 2 State dollars. The amount of Federal aid could not exceed $15 a year for each person covered under health plans in the respective States.

A State would begin to receive its Federal contribution as soon as it passed the appropriation legislation and the required machinery was in operation.

When financial help might be needed for the inception of a qualified nonprofit plan, the Federal Government would also help. Provision would be made for State non-interest-bearing loans, reimbursable under the Federal percentage, to match funds provided for the establishment of a plan from private contributions or non-interest-bearing loans.

This plan has been very favorably received and commented upon by some of the most distinguished experts in this country. This is the logical alternative to the compulsory health insurance plan sponsored by former President Truman. I think it is probably the only alternative that deals with the Nation's health problem and solves the difficulties without incurring the disadvantages of Government controlled medical care. We cannot offer it today because it has not had study by the necessary committees, and would only jeopardize a good program by inviting its turn down. We have to learn first to walk before we can run.

I feel that the urgency of the problem has been very well described. It mainly affects those in the lower income brackets; for example, of families with

an income under $2,000 a year, only 25 percent of such families carry any kind of prepayment health insurance. This is the overall problem on which we must start.

I am for this bill because I feel it will lead us there and I am for this bill because I represent the middle group which I hope very much is the majority of this House which wants to get started on helping all the American people, especially those of lower incomes, with their medical care costs, because we are suffering in terms of our ability to meet the Communist challenge, that we are suffering because of the skills and abilities lost through inadequate health and also considering the serious proportion of rejections we get in our calls for the Armed Forces.

This is something which we must give attention to, and we are starting to give it attention by this bill, and while this is only, I recognize, a minimal start, it attempts to accept Federal responsibility in a field that urgently needs acceptance, the field of the Nation's health.

The instant bill will help some 92 million Americans, and this is no inconsiderable number, who now have some health care insurance under voluntary plans, generally the Blue Shield, the Blue Cross and similar plans.

When it is realized that the total expenditure for hospitalization is $2,800,000,000 a year, that only 38 percent is now covered by insurance, or $1,100,000,000, we can appreciate the need and the magnitude of the problem and that there is room for help for those under existing programs. The items which are covered are limited in the bill but this is just the beginning, in my opinion the beginning for a far more comprehensive national health plan.

There are several points of view on legislation of this kind. There are those who are absolutely against it, there are those who should be for it as a beginning in accepting the Government's responsibility for the people's health and there are those who want only a full program of compulsory Federal health insurance, and nothing less. I am amazed that the middle group as well as the group who wants full Federal health insurance cannot see that this is a step in the right direction. No one can tell just which direction the program will ultimately take in, say 10 to 20 years, but this bill is an entry into a field where the Federal Government must begin to accept some national responsibility for the health of the individual. I think it is an excellent opportunity to make this beginning, although the bill's shortcomings are clear, the acceptance of the principle is the greatest gain now. I think we ought to embrace it. Inadequate as the bill is, it is a beginning, it is some recognition of the fact that as a Federal Government we have to take the responsibility in this field.

I have offered the substitute for the committee bill so that the Members may read it and study it. I think it is an excellent national health program. My other colleagues from New York who believe in health insurance very strongly may hope the principle will develop in their direction, but the point is that we can all begin to get started in this much-needed responsibility of accepting the obligation for the people's health as a national responsibility by adopting this bill.

Mr. Chairman, I ask unanimous consent to withdraw the amendment I have just mentioned.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FERNANDEZ. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I am rather surprised to hear the gentleman from New York state that this bill is a start towards compulsory insurance. That, however, is not what I got up to speak about.

I listened a little while ago with very much attention to my good friend the distinguished gentleman from Florida [Mr. ROGERS]. When he got through speaking I was not quite sure whether he was for the bill or against it. But I turned back to read the testimony of Henry S. Beers, vice president of the Aetna Life Insurance Co.—and by the way I think he was one of the best-informed witnesses who testified on the bill. In answer to a question on page 224 he made a statement which I will read, because I think it throws some light on the position of my distinguished friend from Florida. I know it does as to the position I find myself in. Mr. Beers in answering a question said:

> It brings me back to a redefinition of my position, which is almost exactly yes plus no divided by two.

Under the circumstances, I shall vote to give our great President a chance to make good on his recommendation, even though I have grave doubts as to the efficacy of this proposal.

Mr. PHILLIPS. Mr. Chairman, I move to strike out the last four words.

Mr. Chairman, I rise to ask about a provision in here which may seem highly technical, yet as a member of the Committee on Appropriations, may I say we are becoming more and more concerned by a seeming desire to bypass the Congress so far as appropriations are concerned.

This appears on page 78 and is subsection (c) of section 401. I read subsection (c):

> The Secretary is authorized to determine the character and necessity of expenditures from the fund and the manner in which such expenditures are incurred, allowed, and paid, subject to provisions of law specifically applicable to wholly owned Government corporations.

I am concerned about that. We have had at least two major examples before of a desire to bypass the Congress and remove the appropriation functions from any control by the Congress.

I would also call attention to section 402. I cannot say that I have any particularly critical comment upon it except that it seems to me to be entirely unnecessary, that is,

> The Secretary shall, with respect to the financial operations arising by reason of title III—
>
> (a) prepare annually and submit a budget program—

Well, that is required under the Budget and Accounting Act of 1950.

> (b) maintain an integral set of accounts, which shall be audited annually by the General Accounting Office—

That also is provided for under the Budget and Accounting Act of 1950, so that there is no point of section 402. But, I see no great objection to it.

But, I do find objection to this subsection (c) of section 401, and if my friend, the chairman, the gentleman from New Jersey, has any comment upon that, I would be glad to yield to him, because I would not like to think that here we have in this bill another attempt to bypass the Congress in handling the money which would be appropriated to the agency that is to handle this.

My attention has been called to the Comptroller's letter on page 434 of the hearings in which he also pointed out this particular subsection of the bill and apparently recommends that it be stricken out. Does the gentleman from New Jersey care to comment on my time on that particular section?

Mr. WOLVERTON. I am fearful that maybe I do not grasp the full force of what the gentleman has said.

Mr. PHILLIPS. Page 78, lines 22, 23, and 24 and the first two lines on the next page, which, in my opinion and also, apparently, in the opinion of the Comptroller General, as indicated on page 435 of the hearings, is a technical bypassing of the Congress in regard to the appropriations which would be handled by the agency for the purposes of this act.

Mr. WOLVERTON. My confusion came from the fact that the gentleman referred to paragraph (b) of section 401, and I could not see the significance of that.

Mr. PHILLIPS. Section (c).

Mr. WOLVERTON. Now that I have my attention now directed to section (c) to which the gentleman's remarks refer, I can see the significance of his remarks.

Mr. PHILLIPS. That is correct.

Mr. WOLVERTON. I have felt this bill, in section 308 (a) and other sections as well, of the same tenor, grants merely an authority for appropriations to be made; consequently, that is not bypassing the Congress in any sense.

Mr. PHILLIPS. I think the gentleman is in error. This is not an authorization for receipt of contributions; it is an authorization to determine the necessity and character of expenditures and the manner in which they shall be incurred, allowed, and paid, which seems to me to be an appropriate function, a congressional function, through the Committee on Appropriations.

Mr. WOLVERTON. I think, notwithstanding what the gentleman says, that while this is in the nature of a revolving fund, yet fundamentally the Congress does have an opportunity to determine appropriations.

Mr. PHILLIPS. Let me ask the specific question: Will this agency be required to submit its budget to the Congress, and will the Congress determine how the appropriations and the revolving fund money shall be spent? That ought to be answered "Yes" or "No." Can that be answered "Yes"?

Mr. WOLVERTON. It is my understanding that the correct answer is "Yes."

Mr. PHILLIPS. I thank the gentleman.

The Clerk read as follows:

Declaration of purpose

SEC. 2. It is the purpose of this act to encourage and stimulate private initiative in making good and comprehensive health services generally accessible on reasonable terms, through adequate health service prepayment plans, to the maximum number of people, (a) by providing technical advice and information, without charge, to health service prepayment plans and to the carriers or sponsors thereof; and (b) by making a form of reinsurance available for voluntary health service prepayment plans where such reinsurance is needed in order to stimulate the establishment and maintenance of adequate prepayment plans in areas, and with respect to services and classes of persons, for which they are needed. Nothing in this act shall be construed to authorize any action inconsistent with the policy and provisions of the act entitled "An act to express the intent of the Congress with reference to the regulation of the business of insurance", approved March 9, 1945 (59 Stat. 33), as amended (15 U. S. C. 1011–1015).

DEFINITIONS

SEC. 3. As used in this act—

(a) The term "beneficiary" means an individual (1) with respect to whom a carrier, pursuant to a health service prepayment plan, undertakes to pay in whole or in part for specified personal health services furnished to him by others, or (2) to whom, pursuant to such a plan, it undertakes to provide specified personal health services;

(b) The term "carrier" means a voluntary association, corporation, or partnership, other than an instrumentality wholly owned or controlled by a State or political subdivision thereof, which is sponsoring, or is engaged in providing protection under insurance policies or subscriber contracts issued pursuant to, or is otherwise engaged in operating under, a health service prepayment plan;

(c) The term "Council" means the National Advisory Council on Health Service Prepayment Plans;

(d) The term "Fund" means the Health Service Prepayment Plan Reinsurance Fund established by section 307;

(e) The term "health service prepayment plan" means a set of specifications under which a carrier undertakes, through a class or classes of insurance policies or subscriber contracts (as defined by the Secretary) or both, to do any or a combination of the following in return for insurance premiums or prepaid subscription charges:

(1) To reimburse specified beneficiaries or a class or classes of beneficiaries (or others with respect to such beneficiaries) in whole or in part for expenditures incurred by them for specified personal health services;

(2) To pay (directly or through another carrier or carriers) to providers of personal health services all or part of their costs or charges for specified personal health services furnished to specified beneficiaries or a class or classes of beneficiaries: *Provided*, That, if (A) such payments are to be made in accordance with a contract or arrangement between the carrier and the provider of such services (or between the carrier and another carrier through whom such payments are to be made) and (B) such contract or arrangement fixes the basis upon which the amount of such payments shall be determined, such contract or arrangement shall be deemed to be an integral part of the plan;

(3) To provide, wholly or partly through its own staff or facilities, specified personal health services to specified beneficiaries or a class or classes of beneficiaries;

(f) The term "personal health services" includes any services rendered to individuals by licensed health personnel or, under the supervision of such personnel, by auxiliary personnel for the improvement or preservation of physical or mental health or for the diagnosis and treatment of disease or injury; the use by such licensed or auxiliary personnel of any and all apparatus or machines designed to aid in the diagnosis or treatment of disease or injury; the provision of bed and board in general or special hospitals, convalescent homes, nursing homes, sanatoria, or other institutions licensed or designated as such by a State when care in such institutions is prescribed by such licensed personnel; the provision of drugs and medicines, dressings and supplies, prostheses and appliances (including eyeglasses), when prescribed by such licensed personnel; and ambulance service;

(g) The term "Secretary", except as otherwise specified, means the Secretary of Health, Education, and Welfare; and

(h) The term "State" includes the District of Columbia, Alaska, Hawaii, Puerto Rico, and possessions of the United States.

National Advisory Council and other committees

SEC. 4. (a) There is hereby established within the Department of Health, Education, and Welfare a National Advisory Council on Health Service Prepayment Plans, which shall meet at the call of the Secretary but not less often than four times each year. The Council shall consist of 12 members appointed by the President without regard to the civil-service laws, not less than 4 of whom shall be individuals experienced in the administration of health service prepayment plans. The President, shall from time to time, designate 1 of such members to serve as chairman of the Council.

(b) The Council shall advise, consult with, and make recommendations to, the Secretary on matters of policy relating to the activities and functions of the Secretary under this act.

(c) The Secretary is authorized to utilize the services of any member or members of the Council, or of any member or members of a special advisory committee appointed by him, for advisory or consultative purposes in connection with matters related to the administration of this act, for such periods, in addition to conference periods, as he may determine.

(d) Appointed members of the Council and of other advisory and technical committees, while attending conferences or meetings of the Council or of their respective committees or subcommittees or while otherwise serving at the request of the Secretary, shall be entitled to receive compensation at a rate to be fixed by the Secretary but not exceeding $50 per diem, including travel time, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U. S. C. 73b–2) for persons in the Government service employed intermittently.

Consultants

SEC. 5. The Secretary is authorized, to the extent he deems it necessary and appropriate in order to carry out the provisions of this act, to employ experts and consultants or organizations thereof, as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U. S. C. 55a). Individuals so employed may be compensated at rates not in excess of $50 per diem, including travel time, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law (5 U. S. C. 73b–2) for persons in the Government service employed intermittently.

Utilization of other agencies

SEC. 6. (a) In administering the provisions of this act, the Secretary is authorized to utilize the services and facilities of any agency of the Federal Government and, without regard to section 3709, as amended, of the Revised Statutes, of any other public or nonprofit agency or institution, in accordance with agreements between the Secretary and the head thereof. Payment for such services and facilities shall be made in advance or by way of reimbursement as may be agreed upon by the Secretary and the head of the agency or institution concerned.

(b) In administering the provisions of title III, the Secretary shall utilize to the optimum extent, in accordance with arrangements entered into pursuant to subsection (a) of this section, the services and facilities of State agencies engaged pursuant to State law in supervising carriers of health service prepayment plans with respect to such plans or with respect to policies or subscriber contracts issued pursuant thereto. The Secretary shall, in particular, endeavor to make arrangements for utilization of the appropriate agency of the carrier's home State in connection with determining compliance with the terms and conditions prescribed by the Secretary pursuant to section 303, and in determining, in accordance with criteria established by the Secretary, whether, for the purposes of section 304, there is any reason to believe that the carrier is financially unsound or that its financial or other policies and manner of operation or proposed operation are unsafe or otherwise inconsistent with the purposes of title III; and such determinations pursuant to section 304 may be accepted by the Secretary as conclusive. As used in this subsection, the term "home State" means the State under the laws of which the carrier is organized or, if the carrier's principal place of business is in a different State, then either of such States as the Secretary may determine, except that in the case of a carrier not organized under the laws of any State, the term "home State" means the State in which the carrier's principal place of business in the United States is situated.

Voluntary and uncompensated services

SEC. 7. In carrying out the provisions of this act, the Secretary may, notwithstanding any other provision of law providing for payment for services, accept and utilize voluntary and uncompensated services of individuals, or of public or nonprofit agencies, institutions, or organizations.

Exemption from conflict-of-interest statutes

SEC. 8. (a) Any person appointed, employed, or utilized in an advisory or consultative capacity under section 4 or 5 of this act is hereby exempted, with respect to such appointment, employment, or utilization, from the operation of sections 281, 283, 284, and 1914 of title 18 of the United States Code, except as otherwise specified in subsection (b) of this section.

(b) (1) The exemption granted by subsection (a) of this section shall not extend to the following acts performed as an officer or employee of the United States by any person so appointed, employed, or utilized: (A) The negotiation or execution of, or (B) the making of any recommendation with respect to, or (C) the taking of any other action with respect to, any individual application or contract for reinsurance of a health service prepayment plan operated or sponsored by the private employer of such person or by any corporation, joint stock company, association, firm, partnership, or other business entity in the pecuniary profits or contracts of which such person has any direct or indirect interest.

(2) The exemption granted by subsection (a) of this section shall, during the period of such appointment, employment, or utilization and the further period of 2 years after

the termination thereof, not to extend to the prosecution or participation in the prosecution, by any person so appointed, employed, or utilized, of any claim against the Government involving any individual application or contract for reinsurance concerning which the appointee had any responsibility during the period of such appointment, employment, or utilization.

Regulations

SEC. 9. The Secretary shall make such regulations as he may deem necessary to carry out the purposes of this act, but nothing in such regulations shall provide for supervisory or regulatory control over any carrier, or over any hospital or other health facility or personnel furnishing personal health services covered by a participating health service prepayment plan.

Disclosure of information

SEC. 10. No information concerning the business or affairs of any carrier which, in connection with any application or claim for reinsurance under this act, has been obtained from such carrier by the Secretary, or by any officer, employee, or consultant of the Department of Health, Education, and Welfare, or by any other Federal or State officer or other person utilized in carrying out the provisions of this act, shall, without the consent of such carrier, be disclosed to any person except (a), in accordance with regulations, in connection with the administration of the provisions of this act relating to reinsurance, or (b) in any judicial action or proceeding, civil or criminal, pursuant to this act: *Provided*, That nothing in this section shall be construed to prohibit the disclosure, by publication or otherwise, of statistical or other data which will not directly or indirectly reveal the identity of such carrier. Any person violating any provision of this section shall be punished by a fine not exceeding $1,000 or by imprisonment not exceeding 1 year, or both.

TITLE II—STUDIES AND ADVISORY AND INFORMATIONAL SERVICES

SEC. 201. The Secretary is authorized to conduct studies and collect information concerning the organizational, actuarial, operational, and other problems of health service prepayment plans and their carriers, make available through publications and other appropriate means the information so collected and the results of such studies, and provide to carriers and sponsors of health service prepayment plans, on request and without charge, organizational and other technical advice and information, including information on morbidity and organizational methods.

SEC. 202. There are hereby authorized to be appropriated for the purposes of this title such sums as may be necessary.

TITLE III—REINSURANCE OF HEALTH SERVICE PREPAYMENT PLANS

Authority to reinsure

SEC. 301. (a) If the Secretary, after consultation with the council, determines that reinsurance with respect to any kind or type of health service prepayment plan, upon terms and conditions and at premium rates comparable to those offered pursuant to this title, is needed to promote the purposes of this act and is not available from private sources to an extent adequate to promote such purposes, the Secretary is authorized, subject to the provisions of this title and to such terms and conditions as may be prescribed under the authority of this title, to reinsure, on behalf of the United States, any carrier with respect to a health service prepayment plan of such kind or type submitted by it.

(b) For the purposes of this title, the term "health service prepayment plan" shall not include so much of any plan, or of any risk insured pursuant to such plan, as is covered by reinsurance other than reinsurance granted pursuant to this title.

Applications for reinsurance

SEC. 302. (a) Any carrier desiring reinsurance under this title with respect to a health service prepayment plan shall file with the Secretary an application for such reinsurance. Such application shall be in such form and contain or be supported by the information required pursuant to section 305 and such additional information as the Secretary may require, and shall contain or be accompanied by a full description of the plan, including specimen copies of the kinds of insurance policies or subscriber contracts covered by the plan, and including, in the case of a plan within the scope of the proviso to section 3 (e) (2), any applicable contract or arrangement between the applicant carrier and the provider or providers to whom payments for personal health services covered by the plan are to be made (or between the applicant carrier and another carrier through whom payments to such provider or providers are to be made), which contract or arrangement fixes the basis upon which such payments are to be made.

(b) Such application shall, further, contain or be supported by an agreement by the applicant undertaking, in the event of approval of the plan for reinsurance, (1) to pay the premium charges for such reinsurance required under this title when due, (2) to comply at all times with applicable provisions of State law governing the operations of the carrier with respect to the plan, (3) to make such reports concerning its operations under the plan, in such form, and containing such information related thereto as the Secretary may from time to time reasonably require, and (4) to comply with the applicable provisions of the reinsurance contract.

(c) Any carrier desiring a renewal of reinsurance under this title shall file with the Secretary an application for such renewal, which application shall, except as otherwise provided by or pursuant to regulation, contain or be supported by such information, and such agreements and assurances as are required in the case of an initial application for reinsurance.

Terms and conditions of approval for reinsurance

SEC. 303. (a) The Secretary may prescribe such terms and conditions governing the approval, for reinsurance, of health service prepayment plans under this title as he finds will best promote the purpose specified in section 2, including, but not limited to, such reasonable requirements, provisions, or limitations as he may from time to time, after consultation with the Council, by regulation prescribe for all or particular classes of health service prepayment plans or policies or subscriber contracts issued pursuant thereto, or both, with respect to—

(1) the kinds and types of health service prepayment plans which will be eligible for reinsurance, taking into consideration the purpose declared in section 2, with special emphasis upon the objective of encouraging experimentation designed to extend or adapt the prepayment method to substantive problem areas or geographic areas for which that method is in any significant respect new, untried, or not yet fully effective or widely available on reasonable terms, such as (A) coverage of classes of individuals for which protection through such health service prepayment plans appears to be feasible but is not adequate, or (B) the offering of protection in communities or areas in which such protection (in the respects in which it is offered) is not adequately available on a prepayment basis, or (C) a coverage of benefits or services which, either as to type, range, amount, or duration of such benefits or services, is not otherwise (generally or in a given area) widely available through such plans on an adequate basis;

(2) minimum ranges of health conditions to be covered by the plan, minimum provisions as to the kind, quantity, and duration of health services to be covered or provided under the plan, and safeguards against undue exclusions of health services or health conditions from coverage or against any other undue exclusions or limitations;

(3) deductible amounts and maximum liability amounts, if any, provided or to be provided for in the plan;

(4) waiting periods as a condition of entitlement to health service benefits;

(5) plan provisions which require that a given portion of the cost of personal health services or of expenditures therefor, covered by the plan, be borne by the policyholder, subscriber, or beneficiary;

(6) plan provisions, in the case of plans within the scope of the proviso to section 3 (e) (2), as to costs or charges of providers of personal health services payable by the carrier, to the extent that, in the judgment of the Secretary, such regulations are necessary to protect the Fund against abuses or arbitrary cost increases during a reinsurance term;

(7) the duration, cancellability, and renewability of policies or subscriber contracts issued pursuant to the plan; and

(8) other policy provisions bearing on the need for limiting reinsurance under this title to plans which will promote the purposes of this act.

(b) Terms and conditions of reinsurance embodied in regulations pursuant to subsection (a) shall be prescribed after such consultation with such interested groups, including representatives of State agencies engaged pursuant to State law in supervising carriers of health service prepayment plans, as the Secretary deems appropriate.

(c) Notwithstanding the provisions of subsection (a) or any other provisions of this act, the Secretary shall not exercise any control whatsoever over the carrier's premium or subscription charges under a health service prepayment plan, except that he shall not approve for reinsurance any such plan if in the Secretary's judgment (1) the carrier's premium or subscription charges thereunder are such as to cause the plan to be financially unsound, or (2) the allocation of such premium charges by the carrier pursuant to section 305 (c) as between risks to be reinsured and risks not to be reinsured is arbitrary or unreasonable, or (3) reinsurance of the plan, considered as a whole, would not promote the purposes of this act.

(d) No term, condition, requirement, provision, or limitation, or amendment thereto, prescribed pursuant to subsection (a), shall, if initially effective less than 90 days prior to the date of approval of an application for initial reinsurance with respect to a plan, or less than 90 days prior to the date of approval of an application for renewal of such reinsurance, be applicable to such plan, without the carrier's consent, during the term of such initial reinsurance or of such renewal, as the case may be, but the same shall be applicable to any subsequent renewal of such reinsurance.

(e) The Secretary shall not approve for reinsurance any health service prepayment plan which contemplates that medical or dental care or treatment be furnished by the applicant for reinsurance through salaried physicians or dentists in the employ of such applicant unless the Secretary is satisfied that such applicant has an organizational structure which vests control over the manner in which medicine and dentistry are practiced, in connection with the health services concerned, solely in duly licensed members of the professions involved.

Reinsurance certificate

SEC. 304. If the Secretary finds—

(a) that the applicant carrier is operating and proposes to operate according to law;

(b) that on the basis of the information available to him, there is no reason to believe that the carrier is financially unsound or that its financial or other policies and manner of operation or proposed operation are unsafe or otherwise inconsistent with the purposes of this title;

(c) that the application, the health service prepayment plan submitted for reinsurance (or for renewal of reinsurance), the policies and contracts the carrier proposes to issue or has already issued under the plan, and the carrier's proposed method of operations comply with the requirements of this title and with the terms, conditions, requirements, provisions, or limitations prescribed pursuant to this title;

(d) that the plan is sound;

(e) that the carrier has agreed to the premium rates for reinsurance fixed with respect to such plan pursuant to section 306 for the term of reinsurance covered by the application; and

(f) that reinsurance of such plan pursuant to this title will promote the purposes of this title,

the Secretary is authorized to approve the application for reinsurance (or for renewal of reinsurance) and, in the event of such approval, to issue to the carrier a certificate stating that, with respect to the health service prepayment plan described in the application, the carrier is reinsured to the extent provided in this title and in accordance with the tenor of, and for the period specified in, the certificate: *Provided,* That, if the carrier has outstanding health service policies or contracts under the plan at the time of such approval, the certificate of reinsurance shall not be issued unless and until the initial premium for insurance as specified in section 306 has been paid.

Scope and extent of reinsurance obligation

SEC. 305. (a) (1) The issuance of a certificate of reinsurance pursuant to this title shall give rise to a contract between the applicant carrier and the United States, whereby the United States is obligated, upon payment of all reinsurance premium charges required pursuant to this title and upon compliance by the carrier with the other applicable terms, conditions, and requirements specified in or pursuant to this title, to pay to such carrier, for each year during the term of such reinsurance, from the fund (or from the appropriate account established under sec. 307), 75 percent of the carrier's reinsured costs incurred in such year under the plan covered by the certificate of reinsurance.

(2) Except as otherwise provided in and pursuant to subsection (b) for certain plans and carriers, the carrier's reinsured costs incurred under a reinsured plan in a given year shall be that amount, if any, by which—

(A) the carrier's aggregate benefit costs, incurred during such year under its health service prepayment policies or subscriber contracts issued under and in conformity with the reinsured plan, exceed

(B) (i) the carrier's aggregate premium income earned under the reinsured plan in such year, as reduced by (ii) the amount of the applicable administrative-expense allowance.

The administrative-expense allowance applicable to a given year with respect to a reinsured plan shall be determined by multiplying the carrier's aggregate premium income earned during such year under the reinsured plan by the applicable administrative-expense-allowance factor predetermined for such plan under paragraph (3) of this subsection.

(3) (A) The "administrative-expense-allowance factor" applicable to a given carrier and health service prepayment plan with respect to a given initial or renewal term of reinsurance shall be seven-eighths of that ratio, approved by the Secretary, which the carrier, as a part of its application for initial reinsurance or renewal of reinsurance of such plan, as the case may be, estimates to be the ratio which its annual administrative expenses, to be incurred in connection with the plan, will bear to its annual premium income to be earned under the plan: *Provided,* That when so required by the Secretary in order to prevent distortion, such ratio shall be an average ratio estimated with respect to such period of years, not in excess of three, as may be specified in regulations.

(B) The Secretary shall approve the carrier's estimate of the ratio of its annual incurred administrative expenses to its annual earned premium income, submitted under subparagraph (A) of this paragraph, unless in the Secretary's judgment the carrier's estimate or the method by which such estimate was made is not a reasonable or bona fide one, in which event the Secretary shall not give such approval and shall not issue or renew such reinsurance, but such approval may be given if the carrier furnishes an amended estimate which in the judgment of the Secretary is not subject to such objection.

(b) In the case of any health service prepayment plan which is operated, exclusively or to a substantial extent, either (1) on the basis of personal health services to be furnished by the carrier directly through its own staff or indirectly through the staff of an affiliate of the carrier, or (2) on the basis of payments to be made by the carrier to a provider of personal health services which is an affiliate of the carrier, the provisions of paragraphs (2) and (3) of subsection (a) shall not apply, but the Secretary shall by regulation prescribe for such plans (which otherwise meet the requirements of this title) the scope and extent of the reinsurance obligation which shall apply to them, with a view to making available for such plans reinsurance which, with due regard to the inherent differences between them and other types, will in the Secretary's judgment achieve for such plans reinsurance protection reasonably comparable in scope and extent to that provided for plans fully subject to subsection (a).

(c) If a plan covered by an application for reinsurance includes, in policies or subscriber contracts issued or to be issued under the plan, benefits of a type not specified in section 3 (e), reinsurance granted under this title and the provisions of this section for determining the scope and extent of the reinsurance obligation shall not be deemed to extend to so much of such plan (or of the benefit or other costs or expenses incurred or premium income earned in connection with such plan) as relates to such benefits and the plan shall specify how much of the subscription charge or premium charged or chargeable by the carrier under such policy or subscriber contract shall be attributable to such extraneous benefits and how much to benefits within the purview of this title, and only the latter shall be regarded as premiums or subscription charges for the purposes of this title.

(d) In the event that a reinsured carrier's liability with respect to risks insured or underwritten by it under a reinsured health service prepayment plan is reduced or extinguished by reason of the operation of, or proceedings under, a Federal or State bankruptcy or insolvency law, payments of reinsurance pursuant to this title shall nevertheless be applied by the carrier or by the officer acting for it to the satisfaction of the obligations otherwise arising under the plan, to the exclusion of other creditors.

(e) (1) If so specified by regulation with respect to all or a class of carriers or plans, when a single carrier has more than one health service prepayment plan reinsured under this title for the same reinsurance term, the experience under any two or more such plans of such carrier with respect to the same year shall be combined for the purposes of this section and a determination made as to the amount, if any, of a combined net reinsurance payment owing under this title.

(2) (A) The duration of an initial or renewal term of reinsurance of a plan pursuant to this title shall be for such period (hereinafter referred to as the "regular reinsurance period") as may be specified in the certificate of reinsurance pursuant to regulations, but, if so specified by or pursuant to regulation, such initial or renewal term of reinsurance shall, with respect to each policy or subscriber contract issued or renewed under the plan during the regular reinsurance period and running beyond such regular reinsurance period, be deemed to continue for such further period (hereinafter referred to as the "extended reinsurance period" for such policy or subscriber contract) as may be specified by or pursuant to such regulations.

(B) If an extended reinsurance period or periods are specified as authorized by subparagraph (A) of this paragraph, the Secretary may further, by or pursuant to regulation, incorporate in the reinsurance contract a provision for combining the carrier's experience under the reinsured plan during the regular reinsurance period with its experience under such plan during the extended reinsurance period or periods, and for determining upon expiration of the last of such extended periods, on the basis of such combined experience in lieu of the annual basis specified in subsection (a), the amount of the reinsurance obligation, if any, owing to the carrier.

(C) In the event of a renewal of reinsurance of a plan after an initial term of reinsurance or after a prior renewal term of reinsurance, the Secretary is authorized to specify as a part of the reinsurance contract, by or pursuant to regulation, that policies or subscriber contracts issued or renewed under the plan during, but running beyond, the regular reinsurance period of any such prior reinsurance term shall, to the extent provided in or pursuant to such regulation, be treated for reinsurance purposes as if issued or renewed during such subsequent renewal term of reinsurance, in lieu of the application of an extended reinsurance period or periods to such prior reinsurance term with respect to such policies or subscriber contracts.

(f) No substantive regulation, or amendment thereto, prescribed under this section shall, if initially effective less than 90 days prior to the date of approval of an application for initial reinsurance with respect to a plan, or less than 90 days prior to the date of approval of an application for renewal of such reinsurance, be applicable to such plan during the term (including any extended period of such term pursuant to subsection (e) (2) of this section) of such initial reinsurance or of such renewal, as the case may be, if less favorable to the carrier than the regulations theretofore in effect, but such regulation or amendment shall be applicable to any subsequent renewal of such reinsurance.

(g) A contract of reinsurance under this title shall not give rise to any liability of the United States beyond the amounts which from time to time shall stand to the credit of the fund, except that, if the authority to establish accounts within the fund is exercised pursuant to section 307, such liability shall be limited to the appropriate reinsurance account within the fund in accordance with the provisions of that section.

(h) For the purposes of this section—

(1) The term "administrative expenses" includes all expenditures and charges incurred by a carrier in connection with a

health service prepayment plan, except (A) benefit costs, (B) amounts set aside for reserves or contingencies, and (C) dividends, refunds, or distribution of profits, and such administrative expenses may be more particularly defined by the Secretary;

(2) The term "affiliate," in reference to a carrier, means any person, partnership, or juristic or business entity which directly or indirectly, by legally enforceable means or otherwise, owns or controls, or is owned or controlled by, the carrier, or which, together with the carrier, is directly or indirectly, by legally enforceable means or otherwise, owned or controlled by the same interests as the carrier;

(3) The terms "annual" and "year" refer to a calendar year or, alternatively, such continuous period of 12 months as may be provided by regulation;

(4) The term "benefit costs" means, with respect to a health service prepayment plan, payments incurred by the sponsoring carrier, either directly to providers as payment for personal health services furnished by them to beneficiaries under the plan or to others as indemnification or reimbursement with respect to expenditures incurred by them for such services and indemnifiable or reimbursable under the plan;

(5) The term "premium income" means the sum of (A) gross premiums or subscription charges earned and (B) policy fees earned under or with respect to policies or subscriber contracts issued under a health service prepayment plan, without regard to dividends declared and without regard to experience rating refunds; and

(6) The terms "incurred" and "earned," in reference to expenditures or income related to an accounting period, mean "allocable to" such period in accordance with generally recognized insurance accounting principles, whether or not paid or received during such period, and without regard to reduction or extinguishment of liability by reason of the operation of, or proceedings under, Federal or State laws pertaining to bankruptcy or insolvency.

Premium charges for reinsurance

SEC. 306. (a) The Secretary shall require the payment of premium charges for reinsurance under this title. Such charges shall be fixed, in accordance with actuarial principles, as a percentage of the carrier's premium income (as defined in section 305) under the reinsured plan or on such other equitable basis as may be specified by regulation prescribed after consultation with the Council, and may be so fixed at different rates for the different carriers and for the different health service prepayment plans to be reinsured as to reflect the respective hazards. In the fixing of premium rates, regard shall be had to the objective of, on the one hand, making the reinsurance program self-sustaining over a reasonable term and, on the other hand, stimulating and encouraging plans which will promote the purposes and objectives declared in section 2 and section 303 (a) (1).

(b) The applicable premium rate in effect on the initial effective date of a certificate of reinsurance issued to a carrier, or on the effective date of renewal of the reinsurance term specified therein, shall remain applicable to the reinsured plan during such initial term or renewal term, respectively, including any extended period of such term pursuant to section 305 (e) (2), except that (1) the Secretary may, if premium rates have been reduced for future reinsurance of comparable risks, and if the condition of the fund or of the account subject to the risk permits, reduce accordingly the reinsurance premiums payable with respect to the plan by such carrier for subsequent installments, and (2), if the carrier desires to amend its reinsured plan during a current reinsurance term, the Secretary may, if in his judgment such amendment would affect the reinsurance hazard, condition his consent to such amendment on the carrier's agreement to a change in the reinsurance premium rate.

(c) Premiums for reinsurance shall be payable at such times, for such periods, and in such manner as the Secretary shall by regulation prescribe.

(d) All premiums received for reinsurance under this title shall be covered into the Fund and, if reinsurance accounts are established in the Fund pursuant to section 307, shall be credited to the appropriate account.

Reinsurance fund

SEC. 307. (a) There is hereby created in the Treasury of the United States a Health Service Prepayment Plan Reinsurance Fund which shall be used by the Secretary to carry out the provisions of this title.

(b) There shall be paid into the fund, and the fund shall consist of, all reinsurance premiums received under this title, capital advances made to the fund pursuant to section 308, investments of moneys in the fund and the return from such investments, and any other moneys or assets derived by the Secretary from operations arising out of the reinsurance provisions of this title. Subject to the provisions of subsection (c), all moneys in the fund shall, upon requisition by the Secretary, be available, without fiscal-year limitation, (1) for making reinsurance payments pursuant to this title, (2) for repayment of advances made to the fund pursuant to section 308, (3) for payments of interest pursuant to section 308, and (4) for any fiscal year beginning after June 30, 1959, for defraying the expenses of administration incurred by the Secretary in connection with the reinsurance provisions of this act.

(c) If the Secretary, after consultation with the Council, determines that the purposes of this title will thereby be promoted, he may establish within the fund, by or pursuant to regulation, one or more special reinsurance accounts and, in that event, allocate to such accounts plans thereafter reinsured or for which reinsurance is thereafter renewed, and, with the consent of the sponsoring carrier with respect to a reinsurance term then current, plans theretofore reinsured. If such a special account or accounts are established, any plan not so allocated to a special account shall be allocated to a general reinsurance account to be established by the Secretary within the fund, and any liability of the United States arising with respect to a reinsured plan shall be limited to the general or special account to which such plan has been allocated. Each such special account and the general account shall be credited with the reinsurance premiums paid with respect to plans allocated to such account, its share of the earnings of the fund, advances of capital made to such account pursuant to section 308, and any other income of the fund attributable to such account, and shall be charged with all payments of reinsurance under this title with respect to plans allocated to such account, repayments of advances requisitioned for the use of such account pursuant to section 308, interest payable pursuant to section 308, and its share of administrative expenses for any fiscal year beginning after June 30, 1959, as provided in subsection (e).

(d) (1) The Secretary may authorize the Secretary of the Treasury to invest and reinvest such portions of the fund as the Secretary may determine to be in excess of current needs in any interest-bearing securities of the United States or in any securities guaranteed as to principal and interest by the United States, and the income therefrom shall constitute a part of the fund.

(2) Notwithstanding the establishment of accounts pursuant to subsection (c), the fund shall be invested as a single fund but each reinsurance account shall be credited quarterly on March 31, June 30, September 30, and December 31 of each year, on the basis of the average daily balance of such account, with a proportionate part of the earnings of the fund for the quarter ending on such date.

(e) If accounts are established pursuant to subsection (c), there shall likewise be established within the fund, on July 1, 1959, an administrative expense account, and moneys required for the expenses of administration of this title shall for each fiscal year, from time to time, be transferred by the Secretary from the several reinsurance accounts to the administrative expense account in such proportions as the Secretary finds to be equitable. Moneys remaining unobligated in the administrative expense account at the close of the fiscal year may be retransferred to the respective reinsurance accounts in such proportions as the Secretary finds to be equitable.

Advances to the fund

SEC. 308. (a) There is authorized to be appropriated to a capital-advance account to be established without fiscal-year limitation in the Treasury for this purpose $25 million. From any balance in such account there shall from time to time be transferred to the fund (or to any account within the fund), as advances of capital, such amounts as the Secretary determines are required for the purposes of the fund (or of such account within the fund).

(b) Until all advances to the fund (or to an account within the fund) made pursuant to subsection (a) have been repaid through credits as provided in this subsection, the Secretary shall, at least annually, determine any balance in the fund (or in such account) in excess of an amount determined by the Secretary to be necessary for the requirements of the fund (or of such account), and such balance shall be transferred to the capital-advance account and the amount thereof shall be credited against such advances and shall again be available for advances pursuant to subsection (a).

(c) At the close of each fiscal year, the Secretary shall pay into the Treasury from the fund (or from the appropriate account within the fund), as miscellaneous receipts, interest on the amount of any advances made to the fund (or to an account within the fund) pursuant to subsection (a) which has not been repaid as provided in subsection (b). The Secretary of the Treasury shall determine the applicable interest rate annually in advance, such rate to be calculated to reimburse the Treasury for its costs in connection with such unrepaid advances, taking into consideration the current average interest rate on outstanding marketable long-term obligations of the United States.

Payment of reinsurance claims

SEC. 309. (a) Any carrier claiming to be entitled to a reinsurance payment pursuant to the provisions of this title and according to the tenor of the reinsurance certificate shall furnish such proof of claim, upon such form, and within such period of time after the accrual of the claim as the Secretary may by regulation require. No judicial action on such claim shall be brought until such claim has been administratively denied by the Secretary, and the running of the period for the commencement of such judicial action against the United States specified in section 2401 of title 28, United States Code, shall, if such claim be filed within such period in accordance with this section, be suspended from the date of filing until the claim has been administratively denied by the Secretary and for 60 days thereafter: *Provided*, That such claim shall be deemed to have been administratively denied if not acted upon within 6 months after the date of such filing, unless the Secretary for good cause shown has otherwise agreed with the claimant.

(b) Any claim for a reinsurance payment which is not paid within 6 months after proof of claim, as required by regulation, has

been filed shall, except as to any amount which is tendered by the Secretary as admittedly owing or as a settlement of a disputed claim, bear interest at 4 percent per annum until paid.

(c) (1) Any claim for a reinsurance payment under this title which the Secretary finds to be due and payable, and any judgment of a court of competent jurisdiction based upon a claim for a reinsurance payment under this title, which judgment has become final and conclusive, shall be paid by the Secretary from any unobligated moneys in the fund or in the appropriate account chargeable therewith.

(2) Whenever, for the purpose of a proof of claim filed pursuant to this section, the carrier's reinsurance claim for a given period is computed in whole or in part on the basis of an estimate of the carrier's benefit costs (as defined in section 305) incurred in such period but not yet due and payable or paid by the carrier, the Secretary shall not make final payment with respect to so much of such claim as is based on such estimate, but in such cases the Secretary is authorized, in accordance with regulations, to approve tentatively, and to make a tentative payment on the basis of, so much of such estimate as the Secretary finds is reasonable and conservative, subject to adjustment in favor of or against the carrier when it is finally determined that such estimated costs either have become due and payable by the carrier or have not in fact been incurred, and the carrier shall be obligated, in the event of any such adjustment against the carrier, to repay to the Secretary, for the fund, the excess of the amount tentatively paid to the carrier over the amount finally found to have been payable to the carrier as reinsurance.

(3) In cases in which the carrier's experience under the plan during the regular and extended periods of a reinsurance term is to be combined pursuant to paragraph (2) (B) of section 305 (e), the reinsurance contract may, if deemed appropriate by the Secretary, provide, pursuant to regulation, for making annually during the combined period a tentative determination on the basis of the elapsed portion of the combined experience and for making annual tentative adjustments on the basis of such determinations either in favor of the carrier or by refund to the Secretary (for payment into the fund), as the case may be, with a final adjustment and payment to or by the carrier after expiration of the whole of such combined period. Nothing in this paragraph shall be construed to limit the authority of the Secretary to proceed pursuant to paragraph (2) of this subsection upon the expiration of such combined period.

(d) (1) For the purposes of this section, the question whether benefit costs have become due and payable shall be determined without regard to any extinguishment or reduction of liability of the carrier, under policies or subscriber contracts issued pursuant to the reinsured health service prepayment plan, by reason of the operation of, or proceedings under, Federal or State laws pertaining to bankruptcy or insolvency.

(2) Reinsurance payments made under this title shall not be subject to distribution or application under any Federal or State law pertaining to bankruptcy or insolvency, except in satisfaction of claims for services or money payments arising under policies or subscriber contracts issued pursuant to the reinsured health service prepayment plan with respect to which such reinsurance was paid.

Involuntary termination of reinsurance

SEC. 310. Upon any ground specified in regulations in effect not less than 90 days prior to the commencement of any initial or renewal term of reinsurance, the Secretary may, prior to the normal expiration of such term, terminate the reinsured status of a health service prepayment plan with respect to policies or subscriber contracts issued pursuant to such plan after a future date specified by the Secretary in the notice of termination.

Actions by policyholders or subscribers

SEC. 311. No policyholder or subscriber under a policy or contract issued pursuant to a reinsured health service prepayment plan shall, by virtue of the reinsured status of such plan, be deemed to have any cause of action against the United States or the Secretary or any claim against the fund, but all such persons must look solely to the carrier.

Appropriations

SEC. 312. For a transitional period of 5 fiscal years beginning July 1, 1954, there are authorized to be appropriated from the general fund of the Treasury such sums as may be necessary to defray the expenses of administration of this title.

TITLE IV—MISCELLANEOUS

Legal powers and responsibilities

SEC. 401. (a) With respect to matters arising by reason of title III, or such title as it may hereafter be amended, the Secretary shall, in addition to other powers conferred by this act, have power—

(1) to enforce, pay, or compromise, any claim under, or arising because of operations under, such title; and

(2) to enforce, pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired under such title.

(b) The Secretary is authorized, on request or on his own motion, to hold such hearings and to conduct such investigations and other proceedings as he may deem necessary or proper for the administration of this act and, in the course of any such hearing, investigation, or other proceeding, may administer oaths and affirmations, examine witnesses, and receive evidence, whether or not such evidence is admissible under rules of evidence applicable to court procedure.

(c) The Secretary is authorized to determine the character and necessity of expenditures from the fund and the manner in which such expenditures are incurred, allowed, and paid, subject to provisions of law specifically applicable to wholly owned Government corporations.

(d) In any action or claim against the United States arising under this title, the district courts of the United States shall have jurisdiction, without regard to the amounts involved, as in suits against the United States under section 1346 (a) (2) of tile 28, United States Code, and in accordance with the procedures applicable to such suits.

Accounting and audits

SEC. 402. The Secretary shall, with respect to the financial operations arising by reason of title III—

(a) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act; and

(b) maintain an integral set of accounts, which shall be audited annually by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act.

Annual reports

SEC. 403. The Secretary shall include in the annual report for the Department of Health, Education, and Welfare a complete statement with respect to operations under this act and with respect to the status of the fund, together with a summary of the recommendations made by the Council, including minority views and recommendations, if any.

Criminal provisions and injunctions

SEC. 404. (a) The Congress hereby finds and declares that representations to members of the public, made in connection with the promotion of the business of a carrier or broker, or as a part of any policy or subscriber contract issued under a health service prepayment plan, that such plan or policies or subscriber contracts are reinsured under this act or that such reinsurance has been applied for, even if such representation is in accordance with fact, (1) may mislead potential policyholders or subscribers into believing that such reinsurance is a guaranty of the standing and solvency of the carrier and of its faithful compliance with the policy or subscriber contract or that such policy or subscriber contract is superior to those issued under plans not so reinsured, and (2) may cause unfair competition with carriers which make no such representation or whose plans are not reinsured under this act. The Congress, therefore, finds and declares that, in order to protect the public interest, safeguard the integrity of the purposes of this act, and prevent the use of such representations for improper purposes, it is necessary to prohibit such representations except as authorized by and in conformity with regulations prescribed pursuant to this section.

(b) (1) The Secretary shall by regulation prescribe the substance, forms, manner of display, manner of making, and manner of use of any sign, advertisement, or other representation, if any, which shall be authorized concerning reinsurance granted or applied for under this act.

(2) Any carrier or broker, and any person acting or purporting to act for or on behalf of a carrier or broker, who, in or as a part of any policy or subscriber contract issued or offered by such carrier, or in connection with the promotion of such carrier's or broker's business, represents by any means or device whatever, except as specifically authorized by regulations prescribed pursuant to paragraph (1) of this subsection, that such carrier, or any of its subscriber contracts or policies, or the carrier's health service prepayment plan or plans under which such contracts or policies are issued or offered by it, are reinsured under this act or that application for such reinsurance has been made, shall, for each such offense, be punished as follows: A corporation, partnership, association, or other business entity, by a fine of not more than $1,000; an officer or member thereof participating or knowingly acquiescing in such violation or any individual violating this subsection by a fine of not more than $1,000 or imprisonment for not more than 1 year, or both.

(c) A violation of subsection (b) of this section may be enjoined at the suit of the United States attorney, upon complaint by the Secretary or any person duly authorized by the Secretary.

(d) Section 709 of title 18 of the United States Code (relating to false advertising and misuse of names to indicate Federal agency) is amended by inserting after the third paragraph thereof the following new paragraph:

"Whoever falsely advertises or otherwise falsely represents by any means or device whatsoever, expressly or impliedly, that any insurance policies, subscriber contracts, or undertakings for the furnishing of, or payment for, personal health services, or the health service prepayment plan or plans under which such policies, contracts, or undertakings, are issued, offered, or assumed, are reinsured under the Health Service Prepayment Plan Reinsurance Act or that application for such reinsurance has been made; or".

Appointments above grade GS-15

SEC. 405. The Secretary, to the extent he deems it necessary and appropriate in order to carry out the provisions of this act, is

authorized to place not to exceed 10 positions in grade above GS-15 without regard to the numerical limitations contained in section 505 of the Classification Act of 1949, as amended, but otherwise subject to the requirements of such section.

Effective date

SEC. 406. This act shall become effective on the 30th day after the date of its enactment, but nothing in this act shall require the Secretary to receive or consider applications under title III before such date as the Secretary may determine.

Mr. WOLVERTON (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the bill be considered as read and open for amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. PRIEST. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PRIEST: on page 54, line 14, strike out the word "may" and insert the word "shall."

Mr. PRIEST. Mr. Chairman, this is the amendment that I discussed during the general debate. You may notice that following the first paragraph, paragraph (a), in section 303, there are listed 8 different subjects which the Secretary is required to discuss with the Advisory Council. These subjects generally would apply to the question of minimum standards that shall be issued by regulation. But the Secretary will not be required to issue those regulations under the provisions of the bill unless the word "may" is changed to the word "shall."

It is my feeling that certainly the Secretary will issue such regulations involving such minimum standards. The Secretary would certainly be expected to do so. But since I have had a strong feeling on the question of standards, and at one time felt that they should be written into the bill itself, I felt that we should be certain about it and that we should change the word "may" to the word "shall" so that there will be no question concerning regulations dealing with minimum standards.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the chairman of our committee.

Mr. WOLVERTON. Mr. Chairman, in reference to the amendment which has just been offered by the gentleman from Tennessee [Mr. PRIEST] I would say that I think he and I see this subject alike. I know what has been in his mind with respect to the necessity of minimum standards. I have had similar feelings myself. In fact, in legislation that I previously introduced I incorporated that thought in the bill. However, in this instance my judgment was changed because of the opinion rendered by those who were, I thought, in a better position than I to know about what should be done, based on their experience. They advised the committee that it would not be advisable in this bill, pioneering as it is, to have fixed and inflexible standards written into the bill, but that it would be better to give the Secretary more flexibility to write in whatever might be necessary in the way of standards, by regulation. So that with the tendency of the gentleman from Tennessee [Mr. PRIEST] to recognize that there is some substance to that opinion that was rendered but who does feel that the language we have in the bill would be strengthened by the use of the word "shall" instead of "may", I would like to say that I am in accord with the amendment that the gentleman has offered.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Do I understand that there is no basic requirement set up in the bill?

Mr. PRIEST. There are some basic requirements set out in the bill, but not as to standards that a policy shall have if it is to be eligible for reinsurance. The provision in the bill provides for those standards to be issued in the form of regulations and covers about eight subjects which shall be considered. This amendment would require that regulations on those eight subjects be issued; that is correct.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Tennessee [Mr. PRIEST].

The amendment was agreed to.

Mr. HESELTON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I shall not take the 5 minutes, I only take the floor because I find I overlooked some testimony which I think is of some importance, and I am afraid in the colloquy I had with the gentleman from California [Mr. SHEPPARD] whom I do not see on the floor at the present moment, I misinformed him. At least, I want to quote to you from the testimony of Mr. James Stuart, the chairman of the Blue Cross Commission. My colleague the gentleman from Texas [Mr. THORNBERRY] asked him this question:

Is it contemplated that under the reinsurance program of this bill, or under this bill, that there will be coverage for which the premiums would be less and would encourage folks in the blue section—you referred to the blue section on the chart—who did not carry hospitalization insurance to carry hospitalization?

Mr. STUART. It might have that effect, Mr. THORNBERRY. Actually, we should be taking care of those now regardless of any Federal reinsurance program that might be coming up. But we have not been quite flexible enough in our programs. Without too much expense. We have not found a method of getting to them unless they were employed in groups.

That is the great big area where millions of people are not covered by these insurance plans. He said further:

I think this will encourage us to find ways of covering these people and——

This is very significant, and I will ask my colleague, the gentleman from New York [Mr. KLEIN], who has made the point that this bill cannot help people in the relatively low income groups—this is Mr. Stuart's testimony who is chairman of the Blue Cross Commission. He says:

Actually of people earning less than $3,000 per year, 41 percent have some kind of health insurance.

So that I do want to correct what I said to that extent—I will leave my original remarks in the RECORD with this explanation, but I do think when you have that great area of people earning less than $3,000 a year who are not insured, this bill offers an opportunity to reach millions of people who cannot now qualify under any existing plan.

Mr. KLEIN. Mr. Chairman, will the gentleman yield?

Mr. HESELTON. I yield.

Mr. KLEIN. The gentleman testified there were 41 percent of people under $3,000 who had this Blue Cross insurance. We do not disagree on that. I think what I said, and I believe you will agree with me, certainly Mr. Beers of the Aetna Life Insurance Co. did, was that as to the over 51 percent of people who are not insured—the people under $3,000—this would not help them get insurance.

Mr. HESELTON. I am sure my colleague does not want to leave the impression that that is true because it is not true in my mind, as I understood the testimony. There are farmers, for instance, who cannot qualify. There are employees of small business concerns—barbers, professional people, gas station operators, mechanics, carpenters, and any number of people who simply cannot qualify because the approach is through the group insurance prepayment plan. If we can extend this coverage to those people, and as has been suggested by virtue of the experience that the companies accumulate as voluntary agents, we can find ways of covering those people, or we can find ways of insuring those people in the upper age groups who cannot be insured now, then truly while I do not want to put words into my friend's mouth, I think I know him well enough to know that if his good friend, the gentleman from Tennessee [Mr. PRIEST] who has been following this field says that it is an experiment and admits that we will not know the results unless we do experiment. I beg him to go along and vote for this bill.

Mr. KLEIN. The gentleman and I very rarely disagree and I know we do not disagree on this general principle. The only point I make to my dear friend is this. You are interested in the same objective as I am. It has been admitted by the people who testified that this bill will not have that effect. If the gentleman can rewrite this bill, and I think it ought to go back to the committee and get more thought, if the gentleman can rewrite this bill in such a way as to accomplish those objectives, he may be assured, I will be one of his most ardent supporters.

Mr. HESELTON. May I say to my dear friend and colleague that if we can this afternoon take the initial step toward providing better health protection for the American people, then I would hope to see the gentlemen walking shoulder to shoulder with us in an attempt to make that better health protection available.

Mr. STAGGERS. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, first I would like to say that I have great admiration for the chairman of our committee, Mr. WOLVERTON. I think he is very sincere in working for what he believes are the best interests of the people of the whole country.

There are always two sides to every question. I disagreed with this legislation when it was before the committee, and after listening to most of the debate I still disagree with it. In committee I asked the assistant secretary, Mr. Perkins, whether this would make insurance available to the 63 million people in America who do not have insurance now. He said he hoped so. I asked him again whether it would reduce the rates of that insurance, and he said, "I hope so."

If you will go through the testimony that has been recorded, every person that did seem to be halfway lukewarm for the legislation said, "I hope," or "I think," or "it could," or "it should." I did not hear one single person say to the committee that it is going to do this or that or something else, with an emphatic reply.

I did not hear all of the testimony but I did hear most of it. Those people who came before the committee waxed so eloquently—I cannot find it in the testimony and I did not hear them. I believe this Congress should do something to help these 63 million people today who do not have insurance, but I do not believe this is the way to do it.

Do you know what I believe this bill does, and I said it in committee to one of the men in the Department? It reinsures the insurance companies of America that they will not take any losses. If this were going to help the aged, those who are indigent and those who cannot afford to pay for insurance, it would be a fine proposition. But who are you helping? You are helping the people who can afford to pay for insurance today, and you are helping the big insurance companies and saying to them, "If you make a mistake we will help you pay it back."

I believe the sentiment here is that some health program has to come out of this session of Congress to tell the American people that they are going to help them in their health and welfare program. I want to tell the Congress that the people of the United States can read and reason and think. I believe when this whole furor is over they are going to say that this Congress passed a bill to help the insurance companies of America and all the testimony says it may help those 63 million, or it could help them, or we think it should. Now, what is the result? I believe when this bill is passed the people of the country are going to say it was a great camouflage in the guise of health and welfare insurance for the people of the country. That is my final analysis of it. I do not impugn the motives of any man who has spoken for the bill because I believe the members of this committee are wholeheartedly concerned with the interest of the people of the country, more so than any other committee in Congress. I think they have more to do with the things that affect the people directly probably than any other committee in Congress, and when they speak in behalf of this legislation they are sincere in their expression. I am opposed to this legislation because I believe it is more or less class legislation designed to help those who already can help themselves and does nothing for those who need it.

Mr. BEAMER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BEAMER: On page 45, line 19, after the word "laws" and after the comma, insert "None of whom shall be persons presently employed by the Federal Government in any capacity."

Mr. BEAMER. Mr. Chairman, frankly, this bill provides what we might consider as a bare framework of a program and was reported out of the committee with the reservation and the understanding that all amendments that otherwise might have been offered in the committee could be offered on the floor of the House. That is the only fair way in which any legislation can be given consideration, and this worthy legislation is entitled to that consideration. The fact of the matter is I am not going to speak in behalf of the legislation; I am not going to speak against it, but since we have the bill on the floor of the House it should be perfected and the Members given an opportunity to offer amendments.

In this Congress I feel confident every Member is against socialistic encroachment, and that is one point on which many people will object to this bill.

Although this is a simple little amendment I think it will help overcome that objection. In other words, we have many people on this floor accusing us of socialistic tendencies of some type, and for that reason if this advisory committee is supposed to assist in the formulation of rules and regulations for the operation of this program it becomes all the more important that it should be composed of people who do not bring a lot of preconceived notions with them, perhaps socialistically inclined, and who are presently in the Government.

Mr. Chairman, I have some other amendments to offer and would like to reserve the balance of my time to speak on them.

Mr. WOLVERTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the amendment which has been offered by the gentleman from Indiana seems to mc would go much further than he intends that it should. From a reading of the section it will be seen that the council is to be appointed by the President of the United States. I would not like to think that the gentleman from Indiana has lost confidence in the judgment of the President of the United States.

As to who would be qualified to serve to the advantage of the country in a matter as important as this, for instance, I think you would term Herbert Hoover such a person, yet under the wording of the gentleman's amendment he being in some indirect capacity employed in work for the Government, would be precluded from consideration by the President if the President had a desire to appoint him.

With respect to the council that has been provided for in the bill, I might say that I look on the council as a very important part of this bill. The purpose of it is that the Secretary may have the advice and counsel of those who had knowledege of this particular subject, it being a new subject. It certainly was one that lent itself very readily to the thought that there should be experienced help in the drafting of the rules and regulations and the making of decisions, and so forth. We therefore provided that the members of the council should be appointed by the President of the United States. But if the President is given the power then it raises the council to the highest possible echelon and gives the best possible assurance that the right type, kind, and character of people would be appointed.

In speaking of this council, it is my personal opinion that there are many groups that should be represented on this council. I would expect that the President, in the exercise of his judgment and discretion and in view of the knowledge of his responsibility for this legislation, will be very anxious to appoint those who can be depended on to render the best possible service. Personally, I think that the insurance commissioners of the States should have representation on this council. I am of the opinion that even the AMA should have some representation on this group. I think experienced insurance leaders should be recognized in a group such as this. I think those who have knowledge of health insurance plans, and particularly prepayment plans, should be given recognition. So I might go on and mention the different ones that, in my judgment, could help very effectively as members of an advisory council. Though the amendment offered by the gentleman is well intentioned, I do not think that it is necessary under the circumstances, particularly in view of the fact that the council is to be appointed by the President of the United States.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana [Mr. BEAMER].

The amendment was rejected.

Mr. WILLIAMS of Mississippi. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I take this time in order to inform the House that a motion to recommit this bill will be presented either by myself or by the gentleman from Texas [Mr. THORNBERRY]. It is my honest and conscientious belief that this legislation should be recommitted to the Committee on Interstate and Foreign Commerce.

I, personally, follow certain rules in my consideration of any legislation. Perhaps I am wrong, but I believe it a safe and sound approach. I feel that the burden of proof should rest on the proponents of the legislation to convince me that it meets certain conditions. First, I think they should convince me that there is a need for the legislation;

second, I think they should convince me that the bill being considered is the best vehicle for meeting that need; and, third, I think it should be shown affirmatively that the legislation does no violence to the Constitution. Until the proponents of the legislation can convince me that those three conditions have been met, I believe I should resolve my position in opposition to the legislation.

Now, what have we here? The third point, as to the constitutionality of this legislation, of course, is not involved. There is no question but that it would be constitutional. So far as need is concerned, obviously there is need for some kind of a workable public-health program. There is need for a public-health program because of the present high cost of medicine which makes it almost prohibitive to the public and because medical care is not readily available to the public to the extent it should be available.

Now, as to meeting that need, which this bill seeks to do. How are we going to make doctors available to the public? There is but one way to make more medical care available to the public, and that is to increase the number of doctors that we have in the country. The problem in this, as in the high cost of nearly everything else, stems from the old law of supply and demand. At present the demand for medical care and treatment exceeds the supply. I believe it was testified before our committee that there is in this country one practicing physician for every thousand people, or somewhere in that vicinity. And of those, more than half, I believe, are specialists. Now, the only way that we are going to make available more medical care for the public is to increase the facilities for medical care, which, of course, is to educate more doctors and build more hospitals. This bill admittedly does not do either.

Medical costs can be reduced only by making medicine competitive. If we had enough doctors to make medical practice competitive, they would be compelled to adjust fees to meet the competition. But this bill certainly does not do that. As long as a doctor, merely by hanging his shingle out, can get all of the practice that he can personally handle, who can blame him for that? This bill does not increase the supply of doctors and it cannot reduce the cost of medical care.

The real health problem as it exists in this country today does not rest primarily with the people who are able to pay for their medical care either in cash, on credit, or by insurance. The real problem is in the people who are unable to pay for it, and do not have the money to insure themselves against it.

Now, the gentleman from Massachusetts, who is perhaps the most vocal proponent of this legislation, admits readily that this does not make insurance available to any more people than are now covered. He admits that a man who cannot afford to buy health insurance now will not be able to afford to take it out even under this bill. Does anyone know exactly what this bill seeks to accomplish? Surely, it has not been made clear to me and a number of my fellow members of the Interstate and Foreign Commerce Committee.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. WILLIAMS of Mississippi. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. RAYBURN. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Mississippi. I yield to my distinguished leader.

Mr. RAYBURN. I have seen a great many bills come before the House of Representatives and especially from the great committee of which I was chairman for quite a while, and of which I was a member for 24 years. In listening to the remarks of members of the committee and others here today, it seems to me that I have discovered or felt more indefiniteness among them as to what this bill means and what it may accomplish. I have heard pious hopes expressed, of course, that it would do something, but from what I gather from both sides of this aisle in the discussion of this bill it would appear to me that many, even members of the committee, and especially others in the House of Representatives, would like very much to see this bill further studied before the House finally passes on it. So far as I am concerned, I am for legislation of this kind if I think it is in proper form. So far as I am concerned, under the present circumstances, I shall support the motion of the gentleman from Mississippi to send this bill back to the Committee on Interstate and Foreign Commerce for further study.

Mr. WILLIAMS of Mississippi. I thank the gentleman.

Mr. Chairman, the gentleman from Texas [Mr. THORNBERRY] pointed out previously the manner in which this bill, in its final form, was railroaded through our committee. It was handed to us at 10:30 in the morning, a 56- or 57-page bill, and was voted to the floor about an hour later. Nobody on the committee, I am sure, had an opportunity even to read the language in this specific bill. Those who voted for it must have done so on faith and faith alone, as they obviously had not had time to see what was in it.

I believe that one of the preceding speakers, a Member of the other party, either intentionally or unintentionally, let the cat out of the bag when he told the House truthfully that this bill was approved by the committee reluctantly and with reservations; but also with the understanding that the amendments which otherwise might have been offered in the committee could be offered from the floor. That argument, in itself, should be sufficient grounds for recommitting the bill.

Mr. HALLECK. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, I think we might as well understand the situation as it has developed. If this bill is recommitted it will be killed. Let us make no mistake about that; let us have no misunderstanding. We all know that we are driving to adjourn this session of the Congress within the time fixed by the Reorganization Act, which is July 31. So it is obvious that if this bill is recommitted, it will kill the bill. And those who vote to recommit it will have to take that responsibility. Personally, I am not going to take it. I do not think this bill should be recommitted.

It is very easy many times to say of a bill that it has not had sufficient consideration. I have said that a few times myself, when I came here in 1935 and voted on measures that were not even printed. And I must say, in retrospect, that some of them turned out pretty well. Of course, there were many of them that did not turn out so well.

There has been no rash of amendments offered here. My colleague from Indiana [Mr. BEAMER] has some; the gentleman from Tennessee [Mr. PRIEST] had one that was adopted. I have not heard concern expressed about the drafting of this bill. There has been some question as to how much it is going to do. Perhaps in the minds of some it will not do anything and in the minds of others it will do too much. Those who want a far-reaching, broad, compulsory, comprehensive plan say this bill is nothing. The gentleman from Mississippi [Mr. WILLIAMS] says that it is as the fluff of candy that he bought for his youngster at the zoo. Then there are others who say that we should not do any of these things. But let me say to the gentlemen on my side of the aisle at least and certainly to my friends on the right who are here acting on this, not as a partisan measure, because it is not that, but who want to recognize that improvements in national health are desirable, that here is a good, effective way to get them.

No one claims that this is a panacea for all of the problems that beset us in respect to national health. No one would claim that. But I think a good case has been made to support the contention that this program of reinsurance, within our fundamental concepts as we operate in this country, may well make it possible for the established, prepaid, voluntary plans so to expand their coverages and expand their operations so as to bring adequate medical prepaid voluntary care within the reach of millions and millions of our people. Is not that a desirable end? I say that it is.

As was suggested a moment ago by some of my colleagues in debate, and it cannot be said too often, some want to go much further and some do not want to go at all; but if this great committee that I say has done a good job here brings in a bill that marks a definite step in the direction of providing better medical attention, then we ought to support it and we ought not to recommit the bill because, may I say again, that will kill the bill.

This is a very definite, integral part of the program for better health for the American people, which the administration has been trying to work out. I am sure we all understand that. But, if there is any question in anybody's mind about it, let me set that question at rest because it is definitely a part of that program. I think it is a good part. I think it will be effective. If it is not

effective, then little harm is done, if any. But, let us give it a chance. Let us back up this committee which reported the bill to us. There is nothing the matter with the draftsmanship of the bill. The able gentlemen who have spoken here, and who have tried to raise questions about it, are of such great capacity that they could, I am confident, read this bill and in an hour's time find out what is the matter with it—if there is really anything the matter with it. Its provisions have been under study by people in the country who are interested in matters of this sort. No objections to the drafting or the form of the bill have been transmitted to me. As a matter of fact, if I had the time, I would read to you the letter I have here from a New England insurance company, the Union Mutual Life Insurance Co., that recites the fact that they have done a great deal of business in the field of accident and health, including group, commercial accident and health and hospital insurance, saying that this sort of measure should be enacted into law. It is suggested that we give it a try and that it will help to expand the coverage and that it can do much to help these people. So, I say to you again, do not be misled by this motion to recommit because, if you vote for it and sustain the motion you will kill the bill. Let us go on and pass this bill. Then, the legislative process will begin to operate. It will go over to the other body where another look can be taken at the bill. Then, if there is anything seriously the matter with it, it can be straightened out either in the other body or in conference.

Mr. RAYBURN. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I regret very much to say that the impassioned and eloquent appeal of the gentleman from Indiana has not convinced me that this bill has had the proper amount of study. Therefore, he has not changed my mind on the proposition that it should be sent back to the committee for further study. If the gentleman from Indiana had had more time, I would have liked to interrupt him and ask him to discuss the specific provisions of the bill and explain those hazy parts of it that some of us are too obtuse to understand. But I simply rise to say, Mr. Chairman, that the gentleman from Indiana has not changed my mind, and I assure him there is nothing partisan in what I am saying, and there would not be even if this bill had come before us on the recommendation of another President. I do think, however, that if it had come up at another time under such circumstances, in all probability we would have heard the cry of socialized medicine and we would have heard cries of the expenditure of Government funds for the benefit of some of the richest corporations in the country, and all that sort of thing. I am as much in favor of having a health program for the people of this country as anybody, but I think, Mr. Chairman, that this is a blundering, stupid way to start in trying to get such a program.

Mr. BEAMER. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BEAMER: Page 45, lines 20 and 21, strike out words "health service prepayment plans" and substitute therefor the words "private insurance."

Mr. BEAMER. Mr. Chairman, I do not propose to take very much time on these several amendments. I want to assure the chairman of my committee, for whom I have a very high regard, because this understanding has always been in our committee, that every bill is to be studied and given an opportunity to be perfected and improved. It is from that point of view that I am today offering several amendments.

I hope that my colleagues on the committee will offer what they also consider perfecting amendments.

This is a very simple amendment. I think you will discover that as the bill is written, "Health service prepayment plans," it would restrict the choice of the four individuals who are already suggested to be on the Advisory Council. You will discover they are specifically named, from the type of company. I suggest the President should have the opportunity of naming them from any private insurance company, instead of restricting them to one class of insurance companies.

In that connection, I should like to call attention to the fact that the President shall appoint 4 people out of 12. I propose to offer another amendment later that would name 4 more from another group. I will not discuss any of these amendments very long, but I assure you that all of this is done in the hope that we can get good legislation that will not be recommitted.

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

Mr. WOLVERTON. Mr. Chairman, I regret exceedingly that it is not possible for me to concur in the judgment of my colleague the gentleman from Indiana [Mr. BEAMER]. I do wish he had spoken to the chairman or some other member of the committee with respect to the amendments, in order that we could have conferred with respect to them. I think he could have been convinced that it was not the proper thing to do. However, it comes before the House now.

Again I make reference, as I have made before, to the power that is given to the President in making his selections for membership on the Council. In this particular instance I think the committee was justified in doing what it did in providing that not less than four should be experienced in health service prepayment plans. I think we all recognize that the health service prepayment plans are a very integral part of this bill. We felt that it gave assurance to those who undoubtedly were most interested in this bill, that they would have representation upon the Council, and therefore be able to bring their experience to the benefit of the Secretary of Health. Therefore, it seems to me that the committee was justified in making that provision in order that those who are most interested in this legislation, and upon whom such a measure of dependence must be placed in order that it can be successful, should have representation on that Council. It was done to give assurance to them that this language was written into the bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana [Mr. BEAMER].

The amendment was rejected.

Mr. BEAMER. Mr. Chairman, I offer an amendment, which is on the desk.

The Clerk read as follows:

Amendment offered by Mr. BEAMER: Page 45, line 19, after word "laws" and after comma, insert "not less than four of whom shall be licensed physicians."

Mr. BEAMER. Mr. Chairman, again I shall not take the time to which I am entitled.

This amendment I think is self-explanatory. After all, who is better qualified in a health program than a physician—and this is a health program.

I am sorry that it is necessary to present these amendments. I know there are other members of the committee who likewise have amendments. Let me tell you that I worked long hours on these amendments. I think this is an important measure.

I hope the chairman and other members will support me in this amendment. If it is desired, Mr. Chairman, I shall be glad later on to submit the amendments en bloc. Perhaps I should have done so originally.

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

Mr. WOLVERTON. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the amendment, as I understand, would substitute licensed physicians for individuals; in other words, it provides that not less than four of them shall be licensed physicians.

I want it to be perfectly understood that I have no objection—in fact I have already stated, before I knew this amendment was to be offered, that in my opinion there should be physicians in the group that the President is to appoint, but I have not yet gotten to the point where I would agree to take from the President the exercise of discretion that he would have under this bill in appointing 1, 2, 3, or any other number of the 12 individuals who would serve upon the Council; nor would I want to assume that the President of the United States would not be conscious of the fact that the physicians of this country who have rendered such outstanding service to our citizenship should be represented upon this Council. But I do not think it is in accord with the dignity of the Presidential office that we should indicate by a vote of this kind that we do not have confidence that the President would give recognition to physicians on this particular Council. Personally, I would be surprised and I would be disappointed if he did not do so. While it was not necessary for me to make any statement whatsoever, yet I did express my personal opinion that even the AMA, notwithstanding some of the things that have been said here today, should be members of that Council. I think it would be a mistake if they were not.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield.

Mr. HOFFMAN of Michigan. Would a vote against this amendment be construed as an expression of confidence in the President and his administration?

Mr. WOLVERTON. I think it would—if the gentleman thinks it is necessary for him to give assurance of that confidence.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana.

The amendment was rejected.

Mr. BEAMER. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. BEAMER: Page 46, line 2, after the period at the end of the sentence add a new sentence as follows: "The Council shall report to the Congress annually on all recommendations and proposals made to the Secretary, and on all such recommendations and proposals that are adopted relating to health service prepayment plans."

Mr. BEAMER. Mr. Chairman, I think that the old adage: "If at first you don't succeed, try, try again," might be true today.

I reiterate to the Members of the House that it is necessary for some of us to try very desperately if this bill is to be saved to put in some perfecting amendments, and I have done so. I hope you will agree with me. I have made a deep study of this bill. I am not an attorney, but I have studied the bill and I do not think it is necessary to be an attorney to recognize that there are some improvements necessary in the bill. We did not do it in the committee, but I am attempting to do it on the floor and I hope some of the amendments will be recognized. I have not asked for a division vote on these amendments, but I believe they would pass if we asked for it. I hope that someone will recognize that, after all, this is the Congress that is providing for this new program and this new plan; it does not come from any other agency of the Government, it comes from the Congress; and all this amendment does is to ask that the council at the end of the year report to the Congress.

Mr. HALE. Mr. Chairman, will the gentleman yield?

Mr. BEAMER. I yield to the gentleman from Maine.

Mr. HALE. Will the gentleman refer to the provisions of section 403 on pages 79 and 80 and tell the committee why they do not adequately cover what the gentleman has in mind?

Mr. BEAMER. That is only a report of the finances, if the gentleman will read it. I ask here that they shall report all recommendations and proposals that are adopted with reference to the prepayment plan.

Mr. HALE. I call the gentleman's attention to the fact the language is a complete statement with respect to operations under this act.

Mr. PRIEST. If the gentleman will yield further, I concur in what the gentleman has in mind, but I believe it is already taken care of in the bill wherein a report is required annually from the National Advisory Council, including any minority views. This question came up, and I think it was a very important one, that when the Advisory Council report was sent to the Congress through the Secretary it should contain the minority views, if any, on the part of any member of the council.

Mr. BEAMER. This may be duplication, but I think if you will read on pages 79 and 80 it is a report from the Secretary to the Congress, not from the council to the Congress.

Mr. PRIEST. The council is required to report to the Secretary, this to be transmitted to the Congress, including minority views. That was not in the bill until the new committee draft. That may be why the gentleman is not certain on that point.

Mr. BEAMER. I thank the gentleman from Tennessee. I recognize now this was not in the bill originally and that is the reason it was offered. That being the case, Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The CHAIRMAN. The question is on the committee amendment to the bill as amended.

The committee amendment, as amended, was agreed to.

Mr. DINGELL. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DINGELL. Mr. Chairman, as coauthor in several sessions of Congress of a bill—currently H. R. 1817—to meet the vast and pressing health needs of the American people through a comprehensive national health program, I cannot remain silent in the face of a bill being presented to the American people under fraudulent pretensions. I refer to the so-called reinsurance bill, H. R. 8356, which, it is contended, will stimulate existing voluntary insurance plans to extend their coverages, to improve their benefits, and to lower their costs.

These are most worthy objectives, and although I do not feel they fully state the urgent needs of the American people for an improved and more economical method of obtaining high quality of medical care at costs which are within their means, I would be prepared to applaud any proposal honestly and realistically designed to accomplish these objectives.

In the place of a bill well planned and drafted to meet these problems on the scale of their great magnitude, we find a proposal which can only be characterized as a puny and totally inadequate "gimmick" which all expert testimony at the hearings has demonstrated can accomplish virtually nothing.

That is why this is a fraud on the American people. The administration pretends it is a solution to some of our most pressing problems of obtaining adequate medical care for our people—in the face of every bit of expert testimony. One can only conclude that the administration hopes to be able to deceive the people who do not generally have the benefit of the expert analyses in this highly complicated field. The blunt fact here is that we do not have a health bill worthy of the name.

Nothing shows the administration's hand better on this issue than the rude treatment it has given to a proposal sponsored by several of my worthy colleagues in the majority party both in the House and Senate—H. R. 3582, 3586, 4128 and S. 1153, known as the National Health Act of 1953. I do not feel that this bill approaches our national problem in the manner I feel will be most effective. Nor do I feel that the sponsors appreciate the administrative complexities that would be involved in their approach. But I do say that they have boldly proposed a measure that honestly attempts to meet the problems confronting us. Passage of such a bill could indeed have constituted a major step—even many steps—in the right direction.

This bill the administration has studiously slandered as socialized medicine and in a thousand other ways have misrepresented the facts. Moreover, the administration ignored and pushed ignominiously the Murray-Dingell bill into the back closet and came out in favor of the bill now under consideration. The comprehensive bill sponsored over the years by Members who have joined me heretofore is the genuine article. This proposal is bogus and cannot hold a candle to the proposal which has been sponsored by a large number of Members of this House.

I would like now at this point to submit a fact sheet on the administration's reinsurance bill which I have had prepared for the purpose of outlining my position on this piece of proposed legislation.

FACT SHEET ON THE ADMINISTRATION'S REINSURANCE BILL (HEALTH SERVICE PREPAYMENT PLAN REINSURANCE ACT, H. R. 8356)

First. This is the administration's only proposal to meet what it concedes is a key problem—the cost of medical care. It purports to make it possible for voluntary plans (a) to extend coverage to groups not covered and to new geographic areas, and (b) to provide new benefits and services.

Second. There is no evidence that any insurance plans would be motivated to cover the groups and areas that now pose the principal difficulties—the low income, the rural population, the self-employed, and the retired. At the most, the bill might provide a motivation for some indemnity plans to extend their present benefits for longer periods and costlier—catastrophic—illnesses, but at correspondingly higher premium costs which only the higher income groups among present subscribers could afford.

Third. Testimony brought out—

(a) Insurance companies do not want reinsurance and see no way it would be useful. Their expert testimony has been completely damaging to the pretentions of this bill.

(b) The doctor's Blue Shield plans say they could not use it.

(c) It is particularly ill-adapted to help the best health plans we have today—the comprehensive medical care plans such as Kaiser, HIP in New York, and the labor and co-op plans—to meet

their problems in extending coverage. None of these has indicated any way it could use reinsurance. Even Dr. Baehr, of HIP, who is one of few experts who did not oppose this bill, said it would not significantly help HIP or similar plans and that the legislation would be ineffectual unless H. R. 7700—the mortgage loan insurance bill—was passed at the same time.

(d) Blue Cross, almost alone, is on record favoring the bill—but at no point in Blue Cross testimony were spokesmen able to indicate exactly how they would use it. Off the record, these spokesmen are reported to have admitted the bill probably would not be useful even to Blue Cross.

Fourth. In short, the reinsurance bill holds no promise of fulfilling even a small part of its ambitious, high-sounding objectives. It is an attempt to make what is essentially a limited device or gimmick — reinsurance — accomplish tasks for which it is entirely unsuited. Its professed purpose is to encourage voluntary plans to make various types of improvements in benefits and coverages. These are improvements which cannot be made, on the whole, without some sort of direct or indirect subsidy.

Fifth. The bill has a basic internal contradiction. It is trying to extend coverage, improve benefits, and so forth—all of which cost money—without expending any money. Note: The reinsurance scheme is supposed to be self-liquidating. It tries to do these things by a device—reinsurance—which is unrelated to the basic problem—like trying to use a hammer to saw a piece of wood.

Sixth. The administration, quite correctly, notes the following shortcomings of current voluntary plans:

1. They are too costly for low-income groups.

2. They do not pay the full medical and hospital bills.

3. They do not cover all needed medical care.

4. They do not cover the unemployed, the retired, the rural areas, or chronic illness.

Why do voluntary plans not meet these problems?

The incorrect and unsubstantiated assumption behind the reinsurance proposal is that voluntary plans do not venture in these directions because the costs are unknown and they are afraid to take the risks.

The facts are:

(a) The costs either are known or could readily be estimated.

(b) But the costs are such as to discourage purchase of such coverage by groups that need it most.

(c) Each of the above problems is different and requires specialized measures—and involve either expenditure of money or a more economical organization in the provision and financing of medical care.

At a later date and separately, Mr. Chairman, I propose to treat the question of socialism in medicine and tell you exactly where you will find it. For the time being let it be sufficient to say that there is no socialism in the Murray-Dingell bill, and that such socialism as there is in the health problem you will find in the administration bill sponsored by the distinguished chairman of the great Committee on Interstate and Foreign Commerce as it originated in the Department of Health, Education, and Welfare, and blessed as it is by President Eisenhower.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANFIELD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 8356) to improve the public health by encouraging more extensive use of the voluntary prepayment method in the provision of personal health services, pursuant to House Resolution 623, he reported the bill back to the House and sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. WILLIAMS of Mississippi. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. WILLIAM of Mississippi. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. WILLIAMS of Mississippi moves to recommit the bill to the Committee on Interstate and Foreign Commerce.

Mr. WOLVERTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. WILLIAMS of Mississippi. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 238, nays 134, answered "present" 1, not voting 61, as follows:

[Roll No. 103]

YEAS—238

Abitt
Abernethy
Addonizio
Albert
Alexander
Andersen, H. Carl
Andresen, August H.
Andrews
Ashmore
Aspinall
Bailey
Barrett
Battle
Beamer
Belcher
Bennett, Fla.
Bentsen
Berry
Betts
Blatnik
Boggs
Boland
Bolling
Bonner
Bow
Bowler
Boykin
Bray
Brooks, Tex.
Brown, Ga.
Brown, Ohio
Buchanan
Buckley
Budge
Burdick
Burleson
Busbey
Byrd
Campbell
Cannon
Carnahan
Celler
Chelf
Chiperfield
Church
Clardy
Clevenger
Colmer
Condon
Cooley
Cooper
Crosser
Cunningham
Davis, Ga.
Davis, Tenn.
Dawson, Ill.
Deane
Delaney
Devereux
Dies
Dingell
Dollinger
Dolliver
Dondero
Donohue
Dorn, S. C.
Dowdy
Doyle
Durham
Eberharter
Edmondson
Elliott
Evins
Fenton
Fine
Forand
Forrester
Fountain
Frazier
Gary
Gathings
Gavin
Gentry
George
Golden
Gordon
Granahan
Grant
Greene
Gregory
Gross
Hagen, Minn.
Haley
Hardy
Harrison, Nebr.
Harrison, Va.
Harvey
Hays, Ark.
Hays, Ohio
Hébert
Herlong
Hoeven
Hoffman, Mich
Holifield
Hruska
Ikard
Jackson
James
Jarman
Jenkins
Jensen
Jonas, Ill.
Jonas, N. C.
Jones, Ala.
Jones, Mo.
Jones, N. C.
Judd
Karsten, Mo.
Kee
Kelley, Pa.
Kelly, N. Y.
Keogh
Kilburn
Kilday
King, Calif.
King, Pa.
Kirwan
Klein
Kluczynski
Landrum
Lane
Lanham
Lantaff
LeCompte
Lesinski
Lovre
McCarthy
McCormack
McCulloch
McDonough
McMillan
Machrowicz
Mack, Ill.
Madden
Mahon
Marshall
Martin, Iowa
Mason
Matthews
Meader
Metcalf
Miller, Calif.
Miller, Nebr.
Mills
Molohan
Multer
Murray
Natcher
Neal
Nicholson
Norrell
O'Brien, Ill
O'Brien, Mich.
O'Brien, N. Y.
O'Hara, Ill.
O'Hara, Minn.
O'Konski
Passman
Patten
Pfost
Philibin
Phillips
Pilcher
Poage
Poff
Polk
Preston
Price
Rabaut
Rains
Rayburn
Reams
Reed, N. Y.
Rhodes, Ariz.
Rhodes, Pa.
Richards
Riley
Rivers
Roberts
Robeson, Va.
Robsion, Ky.
Rodino
Rogers, Colo.
Rogers, Tex.
Rooney
Scherer
Scrivner
Scudder
Selden
Shafer
Sheely
Sheppard
Shuford
Sieminski
Simpson, Ill.
Smith, Kans.
Smith, Va.
Smith, Wis.
Spence
Staggers
Stauffer
Steed
Sullivan
Taber
Talle
Teague
Thompson, La.
Thompson, Mich.
Thornberry
Trimble
Tuck
Utt
Van Pelt
Vinson
Vorys
Vursell
Walter
Wampler
Watts
Whitten
Wickersham
Williams, Miss.
Wilson, Tex.
Winstead
Withrow
Yates
Young
Zablocki

NAYS—134

Adair
Allen, Calif.
Allen, Ill.
Arends
Auchincloss
Ayres
Baker
Bates
Becker
Bennett, Mich.
Bentley
Bishop
Bolton, Frances P.
Bolton, Oliver P.
Bosch
Brownson
Broyhill
Bush
Byrne, Wis.
Canfield
Carrigg
Cederberg
Chenoweth
Cole, Mo.
Cole, N. Y.
Coon
Corbett
Coudert
Cretella
Crumpacker
Curtis, Mass.
Curtis, Mo.
Dague
Davis, Wis.
Dawson, Utah
Dempsey
Derounian
D'Ewart
Dorn, N. Y.
Ellsworth
Engle
Fernandez
Fino
Ford
Frelinghuysen
Fulton
Gamble
Goodwin
Graham
Gubser
Hagen, Calif.
Hale
Halleck
Hand
Harden
Heselton
Hess
Hiestand
Hill
Hillelson
Hinshaw
Hoffman, Ill.
Holmes
Holt
Hope
Horan
Hosmer
Howell
Hunter
Hyde
Javits
Johnson, Calif.
Johnson, Wis.
Kean
Kearney
Kearns
Keating
Knox
Krueger
Laird
Latham
Lipscomb
McConnell
McIntire
McVey
Mack, Wash.
Magnuson
Merrill
Miller, Kans.
Miller, Md.
Morano
Moss
Mumma
Oakman
Osmers
Ostertag
Patterson
Pillion
Priest
Prouty
Radwan
Ray
Reece, Tenn.
Reed, Ill.
Rees, Kans.
Rogers, Fla.
Rogers, Mass.
Sadlak
St. George
Saylor
Schenck
Secrest
Seely-Brown
Simpson, Pa.
Small
Springer
Stringfellow
Thomas
Tollefson
Van Zandt
Velde
Wainwright
Warburton
Westland
Wharton
Widnall
Wigglesworth
Williams, N. J.
Williams, N. Y.
Wilson, Calif.
Wilson, Ind.
Wolcott
Wolverton
Younger

ANSWERED "PRESENT"—1,

Pelly

NOT VOTING—61

Angell	Gwinn	Patman
Barden	Harris	Perkins
Bender	Harrison, Wyo.	Powell
Bonin	Hart	Regan
Bramblett	Heller	Riehlman
Brooks, La.	Hillings	Roosevelt
Byrne, Pa.	Holtzman	Scott
Camp	Kersten, Wis.	Sheehan
Carlyle	Long	Short
Chatham	Lucas	Sikes
Chudoff	Lyle	Smith, Miss.
Cotton	McGregor	Sutton
Curtis, Nebr.	Mailliard	Taylor
Dodd	Merrow	Thompson, Tex.
Donovan	Miller, N. Y.	Weichel
Fallon	Morgan	Wheeler
Feighan	Morrison	Wier
Fisher	Moulder	Willis
Fogarty	Nelson	Yorty
Friedel	Norblad	
Garmatz	O'Neill	

So the motion to recommit was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Garmatz for, with Mr. Scott against.
Mr. Camp for, with Mr. Short against.
Mr. Fisher for, with Mr. Riehlman against.
Mr. Thompson of Texas for, with Mr. Angell against.
Mr. Regan for, with Mr. Sheehan against.
Mr. Roosevelt for, with Mr. Bonin against.
Mr. Chatham for, with Mr. Hillings against.
Mr. Heller for, with Mr. Miller of New York against.
Mr. Willis for, with Mr. Nelson against.
Mr. Morrison for, with Mr. Taylor against.
Mr. O'Neill for, with Mr. Bender against.
Mr. Friedel for, with Mr. Weichel against.
Mr. Sikes for, with Mr. Bramblett against.
Mr. Fogarty for, with Mr. McGregor against.

Until further notice:

Mr. Cotton with Mr. Byrne of Pennsylvania.
Mr. Curtis of Nebraska with Mr. Chudoff.
Mr. Norblad with Mr. Holtzman.
Mr. Harrison of Wyoming with Mr. Fallon.
Mr. Gwinn with Mr. Moulder.
Mr. Merrow with Mr. Morgan.
Mr. Mailliard with Mr. Long.
Mr. Kersten of Wisconsin with Mr. Lucas.

Messrs. REES of Kansas and JOHNSON of California changed their votes from "yea" to "nay."

Messrs. SCUDDER, HRUSKA, JONAS of Illinois, AUGUST H. ANDRESEN, and ASPINALL changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

RESIGNATION FROM CONFERENCE COMMITTEE

The SPEAKER laid before the House the following communication, which was read:

JULY 13, 1954.

Hon. JOSEPH MARTIN,
House of Representatives,
Washington, D. C.

DEAR MR. SPEAKER: I hereby tender my resignation as a conferee on H. R. 7434, H. R. 7601, H. R. 9040, and S. 2759.

Very truly yours,

GRAHAM A. BARDEN.

The SPEAKER. Without objection, the resignation is accepted.

There was no objection.

The SPEAKER. The Chair appoints the gentleman from Pennsylvania, Mr. KELLEY, to serve on the conference committee on the bill H. R. 7434, on the bill H. R. 7601, and on the bill H. R. 9040, and the Senate will be notified accordingly.

The Chair appoints the gentleman from West Virginia, Mr. BAILEY, to serve on the conference committee on the bill S. 2759, and the Senate will be notified accordingly.

SPECIAL ORDER GRANTED

Mr. MILLER of California asked and was given permission to address the House for 30 minutes on Thursday next, following any special orders heretofore entered.

SANTA MARGARITA RIVER, CALIF.

Mr. MILLER of Nebraska submitted a conference report and statement on the bill (H. R. 5731) to authorize the Secretary of the Interior to construct, operate, and maintain certain facilities to provide water for irrigation and domestic use from the Santa Margarita River, Calif., and the joint utilization of a dam and reservoir and other waterwork facilities by the Department of the Interior and the Department of the Navy, and for other purposes.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

Mr. BENTLEY. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce may have until midnight tonight to file a report.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

AEC—DIXON-YATES CONTRACT TO SUPPLY POWER FOR TVA

The SPEAKER. Under previous order of the House, the gentleman from Mississippi [Mr. ABERNETHY] is recognized for 45 minutes.

Mr. ABERNETHY. Mr. Speaker, in May of 1933 TVA was created by an act of Congress. In November of that year the first municipality signed a contract to purchase power from TVA for distribution to its consumers. That first signer was Tupelo, in Lee County, in the First Congressional District in Mississippi. In the months that followed referenda were held in villages and towns throughout the area. In north Mississippi, for example, Corinth voted 792 to 2 to take power from TVA; Amory voted 613 to 12; Columbus, 1,060 to 145; Aberdeen, 610 to 42; Okolona, 228 to 7; Starkville, 424 to 51; Holly Springs, 325 to 61; Water Valley, 526 to 45; Macon, 346 to 9; Charleston, 251 to 46; Louisville, 299 to 7; Philadelphia, 349 to 27. Most of these towns voted in favor of taking power from TVA some time in 1934. Now, 20 years later, in 1954, these citizens, like the people of Memphis, who voted for TVA in November of 1934, are told that the President of the United States has decided that a private utility combine, not TVA, is to generate the power for use in their homes and on their farms. They are told that the Federal agency to be entrusted with responsibility for negotiation of the contract designed to achieve this result is not to be the TVA, with whom these distributors have contracts, but the Atomic Energy Commission. This is the astonishing state of affairs presented on the floor of this House in recent days.

This creeping invasion of TVA territory by the private power companies means, and it is intended to mean, I believe, the end of the greatest partnership between local and Federal agencies this Nation has ever seen. The Memphis and west Tennessee customers of TVA are simply marked as the first victims. North Mississippi, north Alabama, east Tennessee will be devoured in their turn. The Presidential fiat revealed a few weeks ago marks the inauguration of this administration's formula to end TVA, to terminate the only demonstration in this country of what can happen when a power system is conceived as an instrument to promote the development of the economy as a whole and to raise the standard of living of the people rather than simply as a vehicle to make money for absentee owners and investment houses in New York.

For 20 years the Old Guard in the Republican Party has been trying to destroy TVA. Only now have they found a formula, and a tool. The tool, an unwitting one, is the AEC. The formula is for the President of the United States to use his Executive powers to force an agency having nothing whatsoever to do with the development of the region to take over the responsibility Congress gave to TVA and negotiate a contract with the bitterest enemies of TVA. This delicious formula will not only permit the private power companies to destroy the TVA under impressive auspices, but to make money in the process.

On behalf of my constituents I denounce this proposal. I want to expose its purposes and frustrate its consummation. The Atomic Energy Commission has no business whatsoever acting as a power broker for private power companies. The Atomic Energy Commission has authority in a most sensitive area of public responsibility. The people of the United States must respect it, the world must respect it, if it is to continue to serve effectively. But how can the people of the United States respect an agency when 3 of the 5 members testify openly that they are against a proposal they are proceeding to accept and when it is obviously outside their field of statutory responsibility. The AEC was given authority to make long-term contracts for power for its own use. It was not given authority to make long-term contracts for power supply for the city of Memphis or for any other city within or without the TVA belt. The General Accounting Office is on record against the proposed contract, the people of the Tennessee Valley are opposed to it; nevertheless, the President says to the Atomic Energy Commission, to the Tennessee Valley Authority, to the 150 rural cooperatives and municipal distribution systems that rely upon TVA for power that the AEC is commanded to enter into a contract to purchase power from Mr. Dixon and Mr. Yates for TVA to distribute to its customers.

In establishing the Tennessee Valley Authority Congress provided for its administration through a three member Board. The strange arrangement ordered by the President modifies without an act of Congress the administrative powers of this Board. The arrangement presents the rather anomalous situation of divesting the Board of certain administrative authority and vesting same in the Atomic Energy Commission. The Commission, not TVA, is to sign the contract with Dixon-Yates. On the other hand, the power to be delivered as a result of the contract is to be used and distributed by TVA. Just who is running what? From the beginning to the end of this strange proceeding the administrative body of TVA, the Board, is compelled by Executive mandate to sit with folded hands on the sideline and play the part of an idle spectator while one of its customers, the Atomic Energy Commission, makes for it the TVA an important administrative determination, one of the most important in the history of the Tennessee Valley Authority. All of this is in direct circumvention of the law and the intent of Congress.

This peculiar arrangement was developed in the months after the President's budget message was delivered to the Congress. We all remember that the message stated that no money was being requested to add to generating capacity to the TVA system. As an alternative to provide new capacity to meet the load growth certain to occur in TVA's service area the administration proposed to relieve TVA of a portion of its contractual commitment to AEC. It was generally understood that the administration's suggestion was that TVA, then under contract to provide 1,205,000 kilowatts of capacity at its Shawnee plant for the Paducah installations of the AEC, would be relieved of from 500,000 to 600,000 of that total; and that the Atomic Energy Commission would proceed to find another supplier. TVA would then be free to bring power from its Shawnee plant back into its system, as an alternative to building a new steam plant to aid in meeting the heavy load growth in its west Tennessee area. So far as I know, the first time anyone knew that a specific offer was being considered was when the appropriation for the AEC was under consideration by the House committee. The records now disclose that an offer had been made by the Dixon-Yates combine in February. On March 8, Gen. Kenneth Nichols, the general manager of AEC, testified that AEC would enter into such an arrangement only if ordered to do so by higher executive authority. Everyone interested in the matter assumed that General Nichols meant that the private power companies were proposing to charge more for the energy than AEC was under contract to pay TVA and that AEC, therefore, would not voluntarily release TVA from its contract. Those of us who were most concerned assumed that AEC would reject such a proposal and that a supplemental budget estimate to permit TVA to begin construction of the plant at Fulton would be submitted shortly.

But that is not what happened. We were right in assuming that at some point a determination was made that Mr. Dixon and Mr. Yates could not be expected to provide power as cheaply for AEC as TVA and that, therefore, AEC would not relieve TVA of any portion of its contract. At that point negotiations should have been dropped, the exploration referred to in the President's message should have been considered terminated, and the supplemental appropriation for TVA should have been forwarded to the Congress. That would have been the honest, forthright way to keep faith with the President's budget message. Instead, after months of delay, in the final weeks of this session, we are advised that the AEC has been ordered to enter into a contract not to purchase power for its own requirements, but on behalf of TVA, which power the TVA is to resell to the consumers whose growing load the Fulton plant had been proposed to meet.

Mr. Yates and Mr. Dixon propose to build a plant across the Mississippi River from Memphis. On the security of a long-term contract with AEC, which has no facilities anywhere near the plant, and which will not use a kilowatt of the capacity, the combine proposes to borrow 95 percent of the capital required.

No one suggests that this is a bargain for the Government. The Dixon-Yates proposals have been analyzed and reanalyzed. The Joint Committee on Atomic Energy was advised that the AEC and the Bureau of the Budget estimate that it will cost the Federal Government at least $3,685,000 more every year to support this Rube Goldberg arrangement for power supply to meet TVA's obligations in the Memphis area than it would cost if TVA went ahead and built the Fulton plant to supply the same area of load growth. AEC and the Budget say it will cost the Government a minimum of $3,685,000 in excess of TVA production cost; TVA says it will cost the Government a minimum of $5,567,000 extra every year for 25 years. Under the lower estimate the total of excess, unnecessary costs, a subsidy to a private power combine, is approximately $90 million over the life of the contract. Under TVA's estimates the total bonanza will be about $139 million.

According to the testimony of the Chairman of the Atomic Energy Commission before the Joint Committee recently TVA will be expected to pick up a check every year for a couple of million dollars, as their share of the excess costs. AEC will pay whatever amount the new plant is assessed by State- and local-taxing authorities and in addition will pay the Dixon-Yates income taxes. In the case of AEC the excess payments will come direct from the Federal Treasury. TVA's share of the excess costs will be paid out of earnings and therefore reduce the amount of money otherwise payable by TVA into the Treasury. So the Federal Treasury is proposing to make a direct subsidy to the favored power companies of every penny of excess costs, and at the end of the contract period the company, having been guaranteed a profit of 9 percent of their 5-percent equity all along, will own a plant paid for, every penny, by the taxpayers. This would be the shocking end to this executive adventure.

The President was reported to have given his reason for this amazing action at a recent press conference. As I understood it, he said he wanted to study TVA, and apparently thought this arrangement would give him an opportunity. I agree that the President could benefit by such a study, but I suggest a less costly method. And I would urge a different set of teachers. I do not think it fair for the power consumers of TVA and the taxpayers of the Nation to join in providing a total of between $90 million and $150 million so that the President of the United States can have a further period of study under the tutelage of the private power companies. Some of my colleagues from the Tennessee Valley region would join me, I think, in offering to serve as tutors and for modest fees, in fact, for free.

I could tell the President what has happened in Mississippi since TVA was established. In 1933 only 1.5 percent of all the farms in the State had electric service from the companies represented by Mr. Dixon and Mr. Yates. At the end of June 1953, 76.1 percent of the farms in the area served by TVA had electric service.

I could tell the President that but for TVA there would be no REA. The Alcorn County REA Cooperative, organized in my district in 1934, was the pattern for the rural cooperatives developed throughout the country since 1935. The President ought to study just exactly what this has meant to the human beings living on those farms and in the towns and villages of north Mississippi; what it has meant to their prosperity—to the stability of the whole Nation.

The facts are the President and his advisers could, if they are so disposed, study TVA's record without destroying TVA, and the President can get answers to the two other comments he made about TVA in an effort to explain this peculiar transaction to the press. The inauguration of a study program was, I think, the first reason he gave for his Dixon-Yates order; second, there were a few ambiguous remarks about the TVA power service area attracting industries away from New England or other States. This is not the first time that statement has been made from the White House. It is just as wrong now as ever. The truth is that not one single industry can be discovered which has moved to the TVA area from New England. Not one large power-consuming industry has moved from anywhere, and the most searching exploration has turned up less than a dozen relatively small businesses which have moved to the TVA area from other areas, and they located in the valley not because of TVA but for a variety of reasons. A little study might reveal to the White House that there is nothing in that argument at all. A very little study would demonstrate that the industrial growth of the TVA's power service area is net growth to the strength of the Nation. A very little study would reveal that TVA has added to the industrial

prosperity of other areas and has subtracted nothing. Only a moment's investigation is required to discover that TVA, itself, from 1934 through fiscal year 1953, spent a total of over $200 million for material purchased outside the Tennessee Valley, and that its promotional power rates have made the area the world's best market for electrical appliances. Jobs and payrolls have been created all over the Nation because of TVA.

The third reason given by the President for his action seemed to rest on some anxiety he suffers because the plant proposed for construction at Fulton, Tenn., by the TVA was on the periphery of its power service area. He seemed to fear that TVA was proposing to expand the area of its operations.

This odd notion has been echoed on the floor. The gentleman from California [Mr. PHILLIPS] said the other day:

> The problem is, first of all, the basic problem, how far can we permit the TVA to expand itself? (RECORD of July 6, 1954, p. 9872, col. 3.)

Now, with all respect, I should like to point out that that is not the basic problem at all. The proposed Fulton plant was not recommended by TVA to permit TVA to expand its area. It was recommended to permit TVA to keep up with the expanding load of its present area.

A little study would relieve the President of his anxieties on this point. I do not know whether the gentleman from California [Mr. PHILLIPS] has conveyed his contagious misapprehensions to the President. But they both appear to believe that TVA was limited by law to the sale of energy in the Tennessee River Basin. That is not the case. That is not the law. It is true that TVA is authorized to build its multipurpose dams on the Tennessee and its tributaries. It could not build a dam on the Cumberland, the Ohio, or the Mississippi under its present statute. But the law required the power to be made available to the preference customers, municipalities, and rural cooperatives, who desired it within transmission distance from one of those hydroelectric structures. So far as the law is concerned the location of a steam plant cannot expand the area of TVA's operation by a foot or by a consumer. Whether they get their power from steam or hydro generation does not matter. The customer must be within transmission distance of a TVA dam. A very little study of the law would have revealed that fact.

A very little study of the record would show that the city of Tupelo, TVA's proud first contractor, is located out of the Tennessee Valley, but within transmission distance. So is Memphis; so is Nashville. It was never intended that the distribution of power would be limited to the exact borders of the drainage basin.

A very little study would disclose that there has been no substantial addition to the TVA power service area for almost 10 years. Seven giant steam plants have been begun since 1949, and there has been no territorial expansion at all. The steam plants have been located at whatever points the load growth of the existing service area demanded. Of the 7, only 5 are in the Tennessee Valley proper. Shawnee is in the Ohio River Valley, its location controlled by the load at AEC's Paducah facilities. Gallatin is in the Cumberland Valley, north of Nashville. They have not changed the service area at all. The area served by TVA was determined by the initiative of the rural cooperatives and the municipalities which qualified under the statute. It was determined by the shape of the Tennessee River and its tributaries, and the location of dams. It was not and is not determined by steam plants. The increased capacity recommended by TVA at the Fulton plant is no threat to surrounding utilities. No responsible utility operator would contend that TVA could fulfill its contractual obligations to existing customers without capacity expansion. So long as the private utilities on the boundaries of the TVA system do a good job for their customers there will be no pressure for TVA expansion. The private companies know that. Their claims of terror are a fraud.

What is really fascinating about the President's anxiety about the motives behind the location of the TVA steam plant at Fulton is the fact that it seems to be a one-way interpretation of the reasons for steam-plant location. The Fulton plant is proposed to be located in the service area for the requirements of customers already under contract, but because it is on the "periphery"—to quote the President—of the TVA power system, the President regards it is threatening a projected raid on neighboring territory. Yet we of the TVA area are expected to view the Dixon-Yates plant as a helpful gesture. Certainly that plant would be on the periphery of the area of the Arkansas Power & Light Co. and within the very shadow of TVA territory. It would practically tumble into the Mississippi in a frantic effort to reach TVA-served territory.

I should like to know what explanation the President would offer for the motives of the Georgia Power Co. in proposing to locate a steam plant on the Tennessee River, outside of and far beyond its own service area and right in the heart of the TVA power service area. That is precisely what the Georgia Power Co. is proposing to do—to build a plant in the Eighth District of Alabama, represented here by Mr. JONES. The Eighth District of Alabama is the birthplace of TVA. Muscle Shoals Dam is there, Wheeler Dam is in the District, two modern steam plants built by TVA and one inherited by TVA from the Army are all in this area. Every consumer there is served by TVA. All the distributors have long-term contracts with TVA. Yet the Georgia Power Co. comes across the mountains and proposes to build a steam plant on the Tennessee River. Now it is my understanding that the management of TVA and the consumers of the area accepted the company's explanation in good faith. It appears that because the TVA made the Tennessee River navigable—over the violent opposition of the Georgia Power Co. and its allies—the company now sees an opportunity to buy delivered coal at cheaper prices. They believe that they can provide power more cheaply to their consumers if they build a plant in the heart of the TVA area on the Tennessee River—out of their service area—and carry the power over transmission lines for delivery to their customers, than if they were to construct one in their own territory.

If the location of a steam plant by TVA in the western part of its area is an evidence of territorial aspirations, as the President implied, then I say his order to the AEC, foreshadowing the construction by Dixon-Yates of a plant on the Mississippi, and the plan for construction by the Georgia Power Co. are examples of shameless and calculated aggression. This is a pincer movement which, in view of the significance placed by the President on steam plant location, seems nothing less than preparation for invasion.

Mr. Speaker, it is one thing to voluntarily enter into a contract after the minds of the parties have met and all parties have a conviction that performance of the contract will benefit each. But, Mr. Speaker, it is another thing to become a party to a contract by duress, especially to a contract which benefits only one side to the agreement. In this instance no benefits whatever will inure to the Atomic Energy Commission but only to Dixon-Yates. AEC is simply being made the tool of an assault upon TVA. The truth is that AEC's part in this transaction is nothing more than that of an unwilling witness to a shotgun wedding between the Dixon-Yates private power combine as the groom and the public power TVA as the bride. AEC has been forced to put in an appearance as a witness to the ceremony just to make the marriage bear the resemblance of legality. But even then, Mr. Speaker, this is the strangest of all shotgun weddings. In this instance a most reluctant bride is being forced to accept a most willing groom—rather unorthodox I must say, as shotgun weddings go.

This whole deal smacks of something shady. It was planned behind closed doors, without a full free airing and competitive bidding. Certainly it does not sustain the principles of free enterprise or the competitive system about which the enemies of TVA talk so much. It is a closed-door deal, to the exclusion of everyone except the favored Dixon-Yates combine. They tell you that it is yet open to any who would be interested in making a proposal. Be not deceived. No matter who makes a proposal and irrespective of how good it may be, it is a safe bet that the name of Dixon-Yates and only that of Dixon-Yates or its subsidiary will appear on the paychecks. The combine is getting extraordinary preferential treatment. Why? I would like to know. One of these days I predict we will and when we do I also predict it will be like the mackerel on the moonlit beach, it will both shine and stink.

Mr. Speaker, may I go back and repeat—the people of the Tennessee Valley and particularly of my congressional district have made their choice. They

know now they will have to fight to maintain the freedom they won by ballot 20 years ago from these same power combines who are attempting now to come in through the back door. Even though their cause passed about 18 months ago into the hands of an unfriendly administration—and may I add that it is surprisingly unfriendly after considering the promises made to them in the campaign of 1952—it is their plan and the plan of all who represent them to expose this unholy deal and frustrate its consummation.

Mr. DAVIS of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. ABERNETHY. I yield to the gentleman from Tennessee.

Mr. DAVIS of Tennessee. Some have doubted the wisdom of TVA serving the city of Memphis. Much has been discussed about the Memphis area. I am going to have something to say about it in detail in the next day or two. But I should like to remind the gentleman that Memphis was one of the early first customers, because that city came within the limits of transmission and the very first dam acquired by TVA was at Muscle Shoals. Memphis, of course, is not on the periphery by any means and is obtaining its power under the terms of the organic act passed in 1933.

Mr. ABERNETHY. Certainly it is within the transmission area. Your great city, I believe, has been served by TVA since about 1934. It has had service from the hydroelectric dams all this time. Certainly it is within the transmission distance.

Mr. JONES of Alabama. Mr. Speaker, will the gentleman yield?

Mr. ABERNETHY. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. Does the gentleman from Mississippi understand that all of the common stock of the Georgia Power Co. is owned by the Southern Co., of which Mr. Yates is president?

Mr. ABERNETHY. I do not know that but if the gentleman so says then I accept his statement as being correct. I understand most of the southern companies, including Georgia Power Co., are owned by the same holding company.

Mr. JONES of Alabama. I believe Mr. Yates and Mr. Barry have both testified before the House and Senate committees that the Southern Co. owns all of the voting stock or common stock in the Georgia Power Co., the Alabama Power Co., and, I believe, the Gulf Power Co.

Mr. ABERNETHY. That is my understanding.

Mr. JONES of Alabama. And Mr. Yates is president of the Southern Co.

Mr. ABERNETHY. As I understand.

Mr. JONES of Alabama. And a party to this proposed agreement between the Atomic Energy Commission and the Southern and Mid-South utility groups.

Mr. ABERNETHY. May I say to the gentleman that I cannot understand the concern of this administration about the possible invasion of other territory by TVA through the location of its plant at Fulton. It expresses no concern or alarm about Dixon-Yates or Georgia Power or anyone else invading territory served by TVA, and which territory, incidentally, divorced itself from those very companies 20 years ago.

Mr. JONES of Alabama. Mr. Speaker, will the gentleman yield further?

Mr. ABERNETHY. I certainly will.

Mr. JONES of Alabama. Does the gentleman from Mississippi understand further that Mr. Yates, in testifying before the Independent Offices Appropriations Subcommittee, agreed to make available all the energy to be produced by the Georgia Power Co. at the Madison County site?

Mr. ABERNETHY. I understand that is correct; yes.

Mr. JONES of Alabama. And the Madison County site, where the Georgia Power Co. expected to build this new steam plant, was an invasion or trespass on the area recognized to be that of the Tennessee Valley Authority distribution area?

Mr. ABERNETHY. Why, certainly.

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

Mr. ABERNETHY. I yield to the gentleman from Tennessee.

Mr. MURRAY. I wish to commend the gentleman for his timely, effective, and interesting statement, and I concur heartily in his remarks. I would like to ask the gentleman this question: Does not the gentleman think that the proposals and specifications as sent by the AEC to the Dixon-Yates group were tailormade for this particular holding group, and that they were cut and dried for this one utility-holding company?

Mr. ABERNETHY. I think this whole thing was cut and dried for the benefit of one utility company; yes. I so indicated on the floor of the House yesterday. This entire deal has taken place under a heavy cloud. As yet it has not been completely lifted. But we are making the effort, and, I hope, with some success.

Mr. MURRAY. The more this situation is discussed and explored, the more amazing, the more astounding, the more astonishing is this directive of the President. I would like to know who gave him this advice. Certainly somebody gave him bad advice, and I have been hoping all along that he would see the true picture and rescind this directive.

Mr. Speaker, I ask unanimous consent to insert at this point as part of my remarks an editorial appearing in the Commercial Appeal, Memphis, Sunday, July 11, 1954, entitled "Why We Oppose Power Plant Deal," in which appears editorials from the Milwaukee Journal, the Washington Post and Times-Herald, and the Louisville Courier-Journal.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

The editorial reads as follows:

WHY WE OPPOSE POWER PLANT DEAL

President Eisenhower has undertaken to give a private power combine a $107 million powerplant.

By Executive order he has directed the Atomic Energy Commission to underwrite it with taxpayers money.

He has ordered acceptance of a proposal from this combine, the Middle South Utilities, Inc., and the Southern Co., which includes a guarantee of 9 percent on earnings.

At the end of 25 years the plant would belong to this combine.

This has been done without any effort at competitive bidding.

The plant would be situated in West Memphis, a part of our community.

Three years of a big construction payroll would ring cash registers—for 3 years.

This 3-year gain will be lost many times in future years by higher prices for electricity because of undermining the Tennessee Valley Authority.

The principal purpose of this plant would be to keep TVA from building a plant.

TVA is being prevented from starting new plants necessary to serve its customers.

This policy has created a power shortage, principally because the Nation's defense is diverting so much TVA power.

The shortage is most severe in Memphis and the tightening shortage ahead will be worse here.

For the Government to give private power a plant at Memphis, sets the stage for reducing the TVA power shortage by taking Memphis out of TVA.

We are on the extreme edge of TVA territory.

We see this proposed private power plant at Memphis as the second step of a policy of which the third step would be forcing TVA out of Memphis.

We see it followed by another step in which northeast Mississippi would have to give up TVA, and another step taking TVA from the westward-sloping portions of west Tennessee.

Private power prices, or a crippled TVA forced to raise its prices, or small locally owned plants—any of these would take from this community a purchasing power far higher and much longer than the 3-year construction payroll.

While power prices quiver under the assault of this plant, Memphis would be showered with fly ash and sulphur dioxide from boiler stacks.

We know modern combustion engineering can, if it is used, end the visible smoke and reduce fly ash and fumes, but it is only a reduction.

Ash and sulphur continue to come from the stacks, in particles reduced in size by the best engineering and therefore traveling greater distances.

This harmful waste from the boilers would be spread alike over Red Acres, Glenview, Fort Pickering, West Memphis, and all other Memphis communities.

This is a proposal to hand a powerplant, to be paid for from the Nation's taxes, to a specific company.

This is a proposal for a powerplant that would be 100 percent subsidy, while even TVA's most bitter critics can claim only a fractional subsidy in TVA powerplants, principally in the matter of freedom from Federal taxes on Federal property.

We consider this proposal would result in years of net harm to this community which would be so apparent in the future that we could be held responsible unless we raised the alarm now. We consider it to be a wasteful, unsound attempt at favoritism with the Nation's funds.

As citizens of Memphis and of the United States we protest because we must.

WHY OTHERS OPPOSE IT

The proposed Memphis private powerplant is much more than a regional problem. Newspapers far from the Tennessee Valley or mid-South have taken strong stands against this plan. This is what some of them are saying:

THE MILWAUKEE JOURNAL

"A Senate judiciary subcommittee request that the Atomic Energy Commission halt negotiations with a private power combine for electric power for its Paducah, Ky., plant, ought to be heeded. Anything that will give

opportunity to study the scrambled mess created by the negotiations is all to the good.

"The story is this: AEC gets about 600,000 kilowatt hours of electricity from the Tennessee Valley Authority. TVA power commitments require it to obtain more power. President Eisenhower, by executive order, has directed AEC to negotiate a firm contract with two private power concerns for construction of a plant to produce 600,000 kilowatts of electricity.

"The plant would be built at West Memphis, Ark., 200 miles from Paducah. The power would be sold to TVA for use in the Memphis area to replace power now being sold to AEC by TVA.

"There are a number of questions that need answers:

"The AEC, by a 3 to 2 vote, opposed the plan ordered by the President. Is it proper for the President to overrule an independent agency in operating matters?

"The President's order specifies the private combine with which AEC shall negotiate. Other private firms, as well as TVA, have offered plans for providing the needed power. Shouldn't matters of this kind—if TVA is ruled out—be handled by competitive bid?

"AEC is unhappy because the President's plan will cost it more money than its present method of obtaining power. AEC estimates that power obtained under the President's plan would cost it at least $97 million more in the next 25 years than its present TVA power costs. Others estimate the added cost at $139 million.

"Of this sum (the lower $97 million), TVA would have to pay about $1,360,000 a year and the AEC about $2,320,000 a year. That means that TVA customers would be charged for providing power for AEC. It means that AEC would not be allowed to operate as economically as it might. It means that both would be paying what amounts to subsidies to a private firm.

"The private company, meanwhile, would be in a most happy position. It would get its contract without competition. It would get a guaranteed customer for 25 years. It would end up not only with an annual profit but owning a 107-million-dollar plant. If TVA built the plant, the Government would own it and save at least $97 million as well. If other private firms were allowed to bid, there is every indication that costs would be cheaper. For instance, one offer by private interests which was turned down would have provided the power for 25 years and turned the plant over to the Government. Is the President's order good economy?

"Much is made by proponents of the plan that it will help stop 'creeping socialism' and aid private enterprise. What kind of private enterprise is it that is given direct subsidy to the extent that all risk is removed from its venture?

"AEC has always been notable for its lack of politics. It is now being shoved into the middle of a hot political fight. It is being used as a tool to curb TVA. It may be that TVA should not expand. But, should AEC, which has the great job of handling our vital atomic and hydrogen developments, be pushed into a fight which does not concern it?

"TVA does not have authority to enter into long-term contracts to buy private power under the law. AEC does have that authority. The law says that it may make 25-year contracts for power in connection with its installations at Paducah, Oak Ridge, and Portsmouth, Ohio. Is it proper to stretch that language to cover a plant 200 miles away which would not provide power to AEC but to TVA?

"The President said in Memphis in 1952 that he would not 'impair the effective working out of TVA.' Not too long ago he called TVA an example of 'creeping socialism.' He said at a press conference the other day that TVA's future would be studied. Well and good. Even TVA's most rabid supporters cannot object to a fair study of TVA's place in the future.

"But isn't the strange order telling AEC to negotiate with the private combine prejudging TVA's place in the future? And, even if one accepted the idea of TVA critics that the project is 'creeping socialism' and a monstrosity, isn't the new proposal merely creating another monstrosity supported by the 'creeping socialism' of full subsidy?"

THE WASHINGTON POST

"President Eisenhower's letter instructing the Atomic Energy Commission, in effect, to purchase power from certain private utility companies is unfortunate from every point of view.

"As a matter of administration, this kind of interference with the independent judgment of a commission is mischievous.

"In terms of business practice, it is an uneconomic arrangement, certain to prove costly to American taxpayers.

"Considered as policy, it seems to reflect a doctrinaire preference for private power instead of public power, regardless of the needs and problems of a specific situation.

"Through the Bureau of the Budget, the President has virtually ordered the AEC to do what 3 of its 5 Commissioners actively oppose and what the other 2 regard if not with misgivings at least without fervor. The new private power plant will serve as a justification for denying TVA the funds it has requested for the purchase of steam plants to meet the power needs of the AEC and of area residents.

"It is really a fight for TVA's life.

"There have been few American achievements of the 20th century which have contributed more to the public welfare than TVA's achievement in harnessing the Tennessee River and its tributaries for the welfare of the valley's residents.

"That magnificent American development must not now be stifled out of a mere doctrinaire opposition to public power and a nightmare fear of 'creeping socialism.'"

THE LOUISVILLE COURIER-JOURNAL

"President Eisenhower and the Republican Congress teamed up in an attack on the Tennessee Valley Authority that threatens to destroy not only TVA but the entire public power structure.

"The attack was launched to the trumpet calls of economy and 'protection of free enterprise.' But behind this smokescreen loomed the unmistakable outline of the spoilers.

"We seriously doubt that the President, who has appeared in the past to use the phrases of the private-power people without fully understanding their meaning, now understands fully the implications of the plan he proposes.

"The situation has the makings of a sell-out to dwarf the tidelands oil giveaway."

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

Mr. ABERNETHY. I yield to the gentleman from Tennessee.

Mr. COOPER. I am sure the gentleman has read the excuses given by the Bureau of the Budget for the directive to enter into this contract.

Mr. ABERNETHY. Yes, I have. I read them this morning in the CONGRESSIONAL RECORD. I regret to say that I have not as yet had the opportunity to read them very closely, but I intend to do so tonight.

Mr. COOPER. I shall ask the gentleman if he does not agree that one of the weakest of all those excuses offered was the one that the Congress had not provided funds for the Fulton plant.

Mr. ABERNETHY. Why, surely.

Mr. COOPER. When the administration has opposed that all the way through. Although the prevous administration included a request for funds for the Fulton plant, the Eisenhower administration, when it submitted its revised budget, left out any recommendation for the Fulton plant. And when I offered an amendment on the floor, the spokesman for the administration in charge of the bill opposed my amendment.

Mr. ABERNETHY. That is correct. Incidentally, it was that same Bureau of the Budget whose report the gentleman just referred to, that recommended against the inclusion of funds for the Fulton plant.

Mr. COOPER. Certainly. And now they list that as one of the so-called reasons for ordering this contract negotiated; that is, that funds were not included, when they not only never did request any funds but always fought and opposed the inclusion of funds.

Mr. ABERNETHY. I thank the gentleman for his observation. It is most pertinent. The gentleman has always displayed great knowledge of this subject, and always makes a very valuable contribution whenever it is the subject of debate. He has been a forthright and outstanding leader in our fight to maintain the TVA as a utility capable of serving a great and growing section of this country, the Tennessee Valley.

Mr. JOHNSON of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. ABERNETHY. I yield to my distinguished friend from Wisconsin, and who, let me say, has made a very favorable impression on this body in the short time he has been here.

Mr. JOHNSON of Wisconsin. Mr. Speaker, I want to commend the gentleman from Mississippi [Mr. ABERNETHY] on the fine talk he has given on the subject of what the administration is trying to do to wreck the TVA program. I want to state that while my district, the Ninth District in Wisconsin, is not affected directly, as it does not receive power from the TVA, it is one of the most completely covered rural electrification districts in all the United States. I feel that if I am properly to represent my district I should support the public power programs in the whole Nation as well as those that affect my district. For that reason, in my short time here in the House of Representatives, I have supported the TVA program, especially when its budget was up for consideration. I believe I voted in favor of all the items for steam plants that were suggested by way of amendment; the one offered by the gentleman from Tennessee [Mr. COOPER]; and also the amendment offered by the gentleman from Alabama [Mr. RAINS].

I want to commend the gentleman from Mississippi [Mr. ABERNETHY] for the very fine fight that he is making and I want him to know that although TVA legislation does not affect us in Wisconsin directly, I am going to do what I can to help the TVA.

Mr. ABERNETHY. May I express my thanks to the gentleman from Wisconsin for his remarks. They are deeply appreciated. I am sure the people of the

Tennessee Valley appreciate the valuable assistance which the gentleman has given us. I congratulate the gentleman for the splendid service he has rendered during his short period with us, and I wish for him a much longer stay. He certainly deserves it and his people will undoubtedly profit by his service.

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

Mr. ABERNETHY. I yield to my colleague and friend from Pennsylvania.

Mr. EBERHARTER. I consider myself fortunate, Mr. Speaker, that I was here this afternoon and on other afternoons when the gentleman from Mississippi [Mr. ABERNETHY] and other gentlemen of the Congress, who come from sections where the TVA is very important to the development of their sections, have discussed this subject. I want to say for the record I think the statements made by Mr. ABERNETHY and others in seeking to set aside this proposed contract certainly should carry the day. Since I have been in Congress, I have always supported all proposals to enlarge the TVA and to make it more effective, in spite of the fact that some of the interests in Pennsylvania have been against the TVA. I think it is one of the greatest accomplishments in the last half century. I hope for the success of the arguments which were presented by the Members of Congress representing those areas affected by TVA. I may say further that it will remain a blot on the history of the Eisenhower administration if this proposed contract with the Dixon-Yates combine is permitted to go through.

Mr. ABERNETHY. The gentleman's remarks are deeply appreciated by the gentleman who is now addressing the House, and I am sure all Members who come from the Tennessee Valley. We are very grateful to the gentleman from Pennsylvania for the effort he has put forth in behalf of our cause and also for the assistance he is giving us in this fight. I say again, we are very grateful to you.

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

Mr. ABERNETHY. I yield.

Mr. FRAZIER. Mr. Speaker, I ask unanimous consent to insert at this point in the RECORD an editorial from the Chattanooga Times entitled "Valley People Speak."

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

There was no objection.

The editorial referred to is as follows:

VALLEY PEOPLE SPEAK

Congressional developments are expected soon in the efforts of Tennessee Valley Senators to prevent the blow to TVA involved in the proposed wasteful building of a private powerplant in Arkansas to supply power to the TVA system. Meanwhile, we suggest that readers consider the protest sent to President Eisenhower by the Tennessee Valley Public Power Association, representing 148 municipal and rural electric distributing systems in the seven-State TVA area. The letter was signed by R. V. Taylor, of Houston, Miss., president of the association.

In the early phases of President Eisenhower's consideration of TVA, he often advocated a partnership between Federal and local interests. He seemed to believe that no such link already existed. Mr. Taylor writes him: "We became partners with the Federal Government a good many years ago. The Federal Government now has an investment of roughly $800 million in the power end of TVA and we, the people of the Tennessee Valley, have an investment of about $400 million in distributing systems. We believe this will explain to you our very keen interest in this subject."

The distributors say the contract which the President ordered the Atomic Energy Commission to carry out is "an effort to sell this area back to the power trust," and they urge that increase in TVA's power potential be made.

As for partnership between the local and Federal communities which Mr. Eisenhower was favoring a year or so ago, the distributors rightly say that the contract offered by the President would be "by Federal dictation, without the sort of local initiative and responsibility which we understand that you and the other leaders of your administration are anxious to encourage."

The West Memphis plant, in Arkansas, would cost the Government upward of $100 million more in a 25-year period than a similar plant under TVA control would cost. At the end of 25 years, the private power companies would own the West Memphis plant. The Government, which means the people of this country, would own the TVA plant.

Whether the unfortunate West Memphis plan can be stopped is uncertain. But again, we show the President how solid the Tennessee Valley is on the TVA question and how determined our people are to save it from destruction.

Mr. JOHNSON of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. ABERNETHY. I yield.

Mr. JOHNSON of Wisconsin. If the steam plant proposed by way of amendment to the appropriation bill had been granted—I think those amendments were turned down by a small margin in the House—would it have been necessary for the President to do what he is doing now?

Mr. ABERNETHY. Of course not. If the appropriation had been made for the Fulton steam plant, we would not be here today in an attempt to prevent this shotgun wedding between public and private power. Had the appropriation been made this or last year for the Fulton steam plant, this issue would not be before the House. The gentleman is correct. It is not necessary for the President to perform this shotgun wedding. It can all be solved by his recommendation of funds for the Fulton plant.

Mr. Speaker, in closing may I say that I hope the President will reconsider this matter. It means the beginning of the end for TVA. If he and his associates do not wish to destroy TVA, then, by all means, this Dixon-Yates deal should be turned down—cold.

COMMITTEE ON THE JUDICIARY

Mr. OAKMAN. Mr. Speaker, I ask unanimous consent that the Committee on the Judiciary have until midnight tonight to file a committee report on the bill, H. R. 5796.

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

There was no objection.

TENNESSEE VALLEY AUTHORITY

The SPEAKER pro tempore (Mr. O'KONSKI). Under previous order of the House, the gentleman from North Carolina [Mr. JONAS] is recognized for 1 hour.

Mr. JONAS of North Carolina. Mr. Speaker, I do not intend to use an hour unless I am asked some questions or we get into a debate that will consume more time than I expect to take. I stated yesterday when I asked for this time that I would be glad to yield, because I do have a point of view about this TVA situation which I am anxious and willing to discuss with those who are the proponents of steam plants and who are in favor of the Federal Government, with tax money extracted from the people from all of the United States, investing more and more money in the Tennessee Valley area.

On yesterday, one of the distinguished Representatives from Tennessee made a remark which indicated that he did not think those of us who contend we are not actual enemies of TVA are sincere in those protestations. That causes me to take a moment or two to explain my own personal attitude.

NORTH CAROLINA AND TVA

When I came here in January of 1953 as a freshman Congressman, I knew very little about TVA. I had, of course, heard of TVA but had only the vaguest idea of how it operated and had absolutely no comprehension of the magnitude of that operation. I did not know, for example, that TVA was producing most of its electric power from steam plants. I thought, and I am satisfied that most people, who have not given any study to the facts, understood that the power TVA was selling was a byproduct of the original program of flood control and navigation. I certainly had no idea that between one and one-half and two billion dollars of the taxpayers' money had been appropriated by Congress for TVA.

It was more or less by accident that I became interested in TVA. It came about by reason of my being assigned to serve on the Appropriations Committee and by the chairman of that committee assigned for service on the Independent Offices Subcommittee under the chairmanship of the able gentleman from California [Mr. PHILLIPS].

One of the first agencies to come before our subcommittee for appropriations in 1953 was the TVA. In my study of the TVA request last year for funds in the amount of $254 million, I began to realize that the TVA's major emphasis no longer is on navigation and flood control but on the sale of power produced principally from steam plants. In reading the basic act which created TVA, it seems clear to me that it was contemplated that the only power that TVA would sell is the surplus power created from hydroelectric developments produced from impounded waters behind dams built to promote navigation and flood control on the Tennessee River and its tributaries.

But somewhere along the line, since the adoption of this basic act, the concept that TVA would build dams to promote navigation and flood control and sell surplus power produced thereby, went by the board and TVA moved into the power business on a broad scale. It was surprising to me to learn that when the present construction program

now underway has been completed, TVA will be producing approximately 70 percent of the power it sells from steam plants and only 30 percent from hydro developments.

It was also surprising to learn that this year TVA will produce 50 billion kilowatt-hours of electricity and will receive from the sale of that electricity more than $200 million. So here we have a power operation—the biggest power system in the world—that cost more than $1 billion to build, and with an income running into hundreds of millions a year, yet unable to stand on its own feet and coming back to Congress year after year seeking hundreds of millions of dollars for expansion.

My position with respect to TVA can be stated simply. It is my view that TVA is no longer a babe in the woods. It is a full grown giant and ought to be able to stand on its own feet. I do not say this in any spirit of animosity toward TVA but rather in the spirit of an indulgent parent that asks himself when his son reaches voting age, has a family, a booming business and a heavy bank account, but still comes home to ask for a handout: "Won't that boy ever make his way by himself?"

I think there are many ways in which TVA could, with a little study and planning, be able to finance its future operation without additional funds from the public treasurer. If the friends of TVA would be willing to consider this possibility, I am reasonably sure something could be worked out that would enable TVA to operate and finance its power program as a power system should be operated and thus eliminate this fight every year over additional appropriations for further expansions.

But aside from this general feeling that TVA ought to be able to stand on its own feet—now that it is a billion-dollar corporation with a gross annual income in excess of $200 million from the sale of power—I for one object to the taxpayers of North Carolina putting up any more money to finance the future expansion of this gigantic power system. North Carolina has been penalized heavily as a result of TVA's expansion program in recent years.

Two of TVA's hydro projects are in North Carolina. These are known as the Fontana and Hiwassee projects. A third one is known as the Appalachia project, the dam for which is actually in Tennessee but most of the energy produced by it comes from North Carolina resources just as North Carolina resources are used to produce the energy developed at Fontana and Hiwassee.

Now here is the interesting fact from which I say North Carolina has been penalized. In 1953 TVA produced 892,000,000 kilowatt-hours of electricity from the Fontana and Hiwassee projects in North Carolina. If you add the kilowatt-hours produced at Appalachia, the total goes up to 1,345,000,000 kilowatt-hours. Of this 1,345,000,000 kilowatt-hours of electricity produced from the natural resources of North Carolina, only 35 million were used in our State; the rest was exported out of the State to benefit the people of the Tennessee Valley. Our land has been flooded and our natural resources are being exploited and the power produced thereby is being used for the benefit of other sections of the country.

The people of North Carolina are not happy to see their great natural resources being exploited for the benefit of areas outside our State. When we are told that the TVA dams built in North Carolina would provide recreational facilities for the western part of our State, the answer is that expectations in this respect have not been fulfilled. You cannot build a satisfactory recreational program based on lakes which vary in level from day to day by the rise and fall of the waterline, leaving mud banks where water stood the day before.

Moreover, many of our large industrial establishments in western North Carolina, which employ thousands of people, were located there because of an abundance of soft water ideal for chemical operations. A year or two ago, when an approach was made to the TVA Water Control Board for a guaranty of a minor flow of water from one of North Carolina's streams in order to interest a desirable new plant, our people were advised that such an arrangement could not be made due to the possible effect on the main stream. This causes the question to be raised as to whether all of the area in which TVA operates will receive helpful attention or whether attention is to be concentrated on one section of the area to the possible detriment of other sections.

After having been treated in this way, we in North Carolina are expected to continue to put our money, interest free, to enable TVA to continue to expand its activities in the Tennessee Valley.

But this is not the whole story. Last year TVA paid the State of North Carolina and the counties in which its properties are located, $93,781, in lieu of taxes. Recently Mr. Ben E. Douglas, director of conservation and development for the State of North Carolina, testified before a Hoover Commission Task Force in Chattanooga and brought out some significant and disturbing facts which I think are pertinent to this discussion and should be known by the Members of the House.

The testimony of Mr. Douglas indicated that the total value of the TVA property in North Carolina is more than $97 million. Using the standard method of tax valuation in effect in North Carolina, and based upon our average tax rate, ad valorem taxes on this property alone would have amounted to three-quarters of a million dollars per year. Instead of receiving three-quarters of a million dollars in lieu of taxes from TVA, North Carolina received only $93,781.

But even this is not the entire story. The statement of Mr. Douglas further indicated that if these 3 plants located in North Carolina had been privately owned utilities, and if total taxes were computed on the average basis of the privately owned utilities in North Carolina, the tax revenues would have been from $3 to $4 million instead of $93,781. The exact amount, based upon 1,345,000,000 of kilowatt hours generated, which is the total of the 3 plants I have mentioned above, private utilities would have paid the Federal Government $1,935,455; would have paid the State of North Carolina $1,127,864; and would have paid the local government units $404,602—or a total of $3,467,921 instead of the $93,781 actually paid by TVA.

Now aside from the fact that this seems to me, in all candor, to be rank discrimination against the people of North Carolina and the exploitation of natural resources of our State for the benefit of other States, the figures I have cited are significant from another standpoint.

It has been argued on this floor by many of the proponents of the expansion of the TVA, that TVA serves a vital need as a yardstick so that privately owned utilities will not be permitted to gouge the public with exhorbitant rates. That argument it seems to me is fallacious for two reasons:

I do not think it is possible for private utilities to gouge the public today because they are strictly regulated. There may have been a time when they were not but that is no longer true. The utilities are under strict regulations—by the States as to intrastate operations and by the Federal Power Commission as to interstate operations. They are also regulated by the States in their financial operations and by the Securities Exchange Commission. Earnings of privately owned utilities are today strictly regulated.

I do not know what the situation is in the State of Tennessee and in the other States in the Tennessee Valley, but we have in North Carolina a public utilities commission which is looking out for the interests of the public and controlling the rates charged by private utilities. I am quite sure a similar State agency exists in the State of Tennessee because there are a number of privately owned utilities operating in that State today.

I would be the last one to object to a yardstick. I agree that TVA is an efficiently operated and well-managed organization. I am convinced, in my own mind at least and I think testimony before our subcommittee confirms this, that TVA can build dams and steam plants as well as private concerns. I am also convinced that TVA can undersell any private utility operating in the United States. This is true because two items of cost that go into the establishment of a rate for the sale of power are absent in the TVA operation. These two items are the cost of money and taxes. TVA does not have to borrow its money or pay dividends to investors. It gets its money, interest free, from the Federal Government. Moreover, as I have just shown, TVA pays far less in lieu of taxes than privately owned utilities pay.

If we are to have a yardstick, and I again repeat I have no objections to a yardstick, I submit that it ought to be a fair yardstick and it ought to be subjected to the same tests and to the same requirements under which privately owned utilities are required to operate.

Pursuing this aspect of the problem one step further, let us look at the situation with respect to TVA for the entire system. The same situation applies to

the overall operation as exists in the North Carolina situation which I have just discussed.

It should be remembered that TVA pays no Federal or State income taxes. TVA does pay States and local governments amounts of money in lieu of taxes. In 1953 TVA paid, in lieu of State and local taxes, $3,418,110.

TVA does not distribute its power at retail. It sells the power at wholesale to municipalities and cooperatives and they in turn distribute it to retail customers. Private power companies do not operate that way. They sell it both wholesale and retail. So, in order to make a fair comparison of TVA and private companies, the amounts paid by TVA and its distributors in lieu of taxes should be combined. Last year TVA distributors paid, in lieu of taxes, $5,139,830.

Combining the amounts TVA paid with the amounts the distributors paid gives a total paid last year of $8,557,940.

This amount, in lieu of taxes, was paid by TVA and its distributors from power sales which, excluding sales to the United States Government, amounted to $139 million. The total payments by TVA plus the distributors therefore amount to approximately 6 percent of gross income.

The average tax paid by private utilities is 22.3 percent of gross operating revenue. So that private utilities would have paid on gross sales of $139,150,000, a tax bill of $30 million as contrasted to the total of $8,557,940 paid by TVA and its distributors.

There is still another aspect of this problem that has received little attention. The Federal Government today is engaged in a multitude of activities. We will have to extract from the taxpayers enormous amounts of money each year to provide for our national defense and to run our domestic programs. This year we will have to appropriate in excess of $40 billion to run the Federal establishment alone, and each of the States is having to appropriate vast sums of money for operations within their borders.

One of the principal sources of tax revenue for the Federal Government as well as the States comes from the sale of power. Now it is a well known fact that private utilities do not actually pay these taxes. They collect the taxes from the ultimate consumers in increased costs for the power they supply and in turn pass the taxes along to Government. Since the money paid by TVA and its distributors in lieu of taxes does not even begin to approach the amount of taxes the private utilities would pay on the same amount of power, this means that the consumers of TVA power are not contributing their fair share, in comparison with the rest of us, of the expenses of Government in the United States.

Does the proposed contract between AEC, TVA, and the private utility group known as Dixon-Yates constitute any threat to TVA?

I have been surprised at the reaction of the friends of TVA to this proposed contract. Charges have been made that the purpose of the contract is to attack TVA. I say I am surprised because I am sure such a charge is not justified and I had expected the friends of TVA to rejoice over the prospect that this contract might be executed. This is because I believe the proposed contract offers a real opportunity for TVA to acquire additional power capacity.

TVA officials have been contending that it will need additional power capacity in 1957. To meet this need TVA chose to propose the construction of a new steam plant entirely outside the Tennessee Valley area. I have read the basic TVA Act carefully, and I am unable to find any authorization in that act for the construction by TVA of a steam powerplant on the Mississippi River. There is some language in the act which, by a wide stretch of the imagination, might be construed to authorize TVA to build a dam on the Mississippi River if that was found necessary or desirable for flood control, but not a steam plant.

I have in my hand the basic TVA Act and would like to read those portions of this act which I believe are pertinent on this point.

The preamble of the act is as follows:

> To improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals, in the State of Alabama, and for other purposes.

The section which limits and defines the powers of TVA contains two subsections which I feel are pertinent. I quote from subsection (i) of section 4:

> Shall have power—

Speaking of TVA—

> to acquire real estate for the construction of dams, reservoirs, transmission lines, powerhouses, and other structures, and navigation projects at any point along the Tennessee River, or any of its tributaries.

And I quote the following from subsection (j) of section 4, which speaks again of the authority conferred upon TVA:

> Shall have power to construct such dams and reservoirs in the Tennessee River and its tributaries as in conjunction with Wilson Dam and Norris, Wheeler, and Pickwick Landing Dams, now under construction, will provide a 9-foot channel in the said river and maintain a water supply for the same, from Knoxville to its mouth, and will best serve to promote navigation on the Tennessee River and its tributaries and control destructive flood waters in the Tennessee and Mississippi River drainage basins; and shall have power to acquire or construct powerhouses, power structures, transmission lines, navigation projects, and incidental works in the Tennessee River and its tributaries.

I do not find any other authority in the basic act which would justify the building of a steam plant by TVA at the Fulton site or at any other point along the Mississippi River. If there is such authority, I would like to have it pointed out.

The reasons I do not believe this basic act authorizes an appropriation of money for TVA to build a steam plant at Fulton are two:

First. I do not think it is at all clear from this act that TVA has any authority to build a steam plant anywhere. There are several references to steam plants in the act but those references are restricted. The first one applies to steam plants at Muscle Shoals and the second was in connection with the authorization for TVA to issue bonds and was not a general authorization. Now, I will admit that insofar as the steam plants that have already been built are concerned, and so far as those now under construction are concerned, this is an academic question. The Congress has heretofore provided the money to begin these projects and I, myself, voted for funds last year, as well as this year, to continue the construction of some steam plants. But the question is certainly pertinent in considering funds to build a steam plant entirely outside the area defined in the basic act.

Second. It should be remembered that I am not talking now about building a steam plant in connection with a navigation or flood-control project or a steam plant on the Tennessee River or any of its tributaries. I am talking about building a steam plant which has no relationship whatsoever to flood control or navigation, not on the Tennessee River or any of its tributaries but on the Mississippi River at a point 115 miles west of the nearest point on the Tennessee River.

It is my view that if TVA has the right to build this steam plant at Fulton, it would have the right to continue to expand its activity and ultimately could build steam plants all over the United States.

Before TVA should be permitted to embark on such a venture I, for one, believe that the basic act will have to be amended and authorizing legislation will have to be passed before Congress can appropriate money for such a project.

This House has agreed with this point of view. It did so twice this year when funds were expressly denied to build the Fulton plant.

This action on the part of the House should be sufficient notice to the proponents of TVA expansion that the Members of the House are not convinced that TVA has the right to or should expand outside of its original area as defined in the act.

Assuming, therefore, that this House remains consistent and continues to deny funds for TVA's expansion outside its area, it seems to me that the people who are concerned about the possibility of power shortage in the Tennessee Valley in 1957 would have welcomed the opportunity to increase the power supply in that area by 600,000 kilowatts.

I think we must all admit that the AEC has first call on all of the power produced by TVA. The need of AEC must and will be met. If there is to be any shortage of power in 1957, AEC will not be the one to suffer but it will be the people of the Tennessee Valley.

So, if your concern is to prevent a power shortage, my humble judgment is that you should be happy over the

prospect that this additional supply of power is to be made available.

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

Mr. JONAS of North Carolina. I yield to the gentleman from Arkansas.

Mr. GATHINGS. As a matter of fact, 70 percent of the total power supply in the TVA area is steam power and 30 percent hydroelectric?

Mr. JONAS of North Carolina. That will be true when the present construction program has been completed, and we are appropriating money each year to complete the present program.

Mr. GATHINGS. If I am in error about that, I would like to be corrected.

Mr. JONAS of North Carolina. No, you are not. The figure 70 percent will be reached when the present program is completed and we appropriated $120 million this year to continue that current program. But I do not think it is true to say that today 70 percent comes from steam; 70 percent will come from steam when the present steam plants now under construction are completed.

Mr. JONES of Alabama. Mr. Speaker, will the gentleman yield?

Mr. JONAS of North Carolina. I yield.

Mr. JONES of Alabama. What percent of the total generating capacity of TVA in 1956 will be consumed by defense plants?

Mr. JONAS of North Carolina. My recollection is approximately 50 percent.

Mr. JONES of Alabama. In other words, 50 percent of the total generating capacity of the Tennessee Valley Authority in 1956 will be utilized by defense plants?

Mr. JONAS of North Carolina. I think that is true.

Mr. GATHINGS. That is the same argument that has been used all the time in support of steam plants. They are always bringing out the amount that will be used for defense, just as the argument has been made that they need more money all the time because they want to pump power in there for defense purposes.

Mr. JONAS of North Carolina. That is true. This is the basis on which some of the steam plants were authorized.

Mr. DAVIS of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. JONAS of North Carolina. I yield.

Mr. DAVIS of Tennessee. Is not the gentleman very happy that we had this system in existence during World War II, in order that we could have this power? Is not the gentleman, however, cognizant of the fact that in any hydrosystem, wherever located, you have to supplement that hydropower with steam plants? Is not the gentleman very, very happy way down deep in his heart that we had this enormous amount of electricity very close to your own district to serve this country at the time when we were threatened in our very security?

Mr. JONAS of North Carolina. I do not have to go very deeply into my heart to be thankful for it. I am thankful for the fact that we had power at Pittsburgh; I am thankful for the fact that we had power in California; I am thankful for the fact that we had power at Detroit; but I do not agree with the gentleman's argument that we would not have won the war if it had not been for TVA.

Mr. DAVIS of Tennessee. Mr. Speaker, will the gentleman yield to me briefly?

Mr. JONAS of North Carolina. I yield to the gentleman.

Mr. DAVIS of Tennessee. I have held this in my heart for a very long, long time. It will take but a minute or two and the gentleman said he had an abundance of time so that he could yield to others.

Mr. JONAS of North Carolina. I yield to the gentleman.

Mr. DAVIS of Tennessee. Back in the early days of World War II, I was on the then Committee on Military Affairs. My distinguished friend, Judge Jennings, who occupied a place on that side of the aisle, was very much concerned when they established Oak Ridge because in the acquisition of the property a great many people down there complained that they were not being paid ample sums for it. A great deal of property was involved in about three counties.

My distinguished friend and your friend, the gentleman from Tennessee, HOWARD BAKER, represents that district today.

I was appointed by the chairman of the committee as chairman of the subcommittee to go to Oak Ridge along with other colleagues and, as I recall, DEWEY SHORT and JOHN SPARKMAN were my associates in that investigation.

I went over to the War Department and a very highly placed general officer in going over this situation from the standpoint of security said to me: "I hope that in this investigation—and, of course, we know it will be fair, we know that you are going to explore it thoroughly here in this investigation, but I hope that in this investigation you will not let the record show that this hush-hush plant was located at Oak Ridge because there was an abundance of electricity. This highly secret plant is a very, very definite military gamble. If it is successful, it will win the war; if it is not successful, the very, very few of us who know about it will have to go to Siberia or somewhere else."

I emphasize the fact that the Oak Ridge plant, the very atomic plant of first origin, was located there because, fortunately, in the wisdom of Congress in 1933 the TVA had been established and we had an ample amount of electricity to do this job which contributed so much to the saving of this country in World War II.

Mr. JONAS of North Carolina. I thank the gentleman but I will have to disagree, in part, with him because we did not have ample power at Oak Ridge; TVA did not have ample power to do that job. It had to call upon private power companies to furnish quite a bit of its power. Moreover, I call the gentleman's attention to the fact that, as I understand it, we did not begin to expand TVA into steam plant power production on a large scale until 1949, long after the close of World War II. I would not take anything away from TVA. Of course, it has had power available, but I merely point out to the gentleman that you cannot give TVA all of the credit for the development of the A-bomb or for winning the war; it shares a part of the credit with all of us. I also would repeat that we produced a great part of the materiel that went into the war in Detroit, in Pittsburgh, and in Los Angeles, and in other places of this country, and we did not have to confine ourselves to the TVA area and did not require TVA in order to acquire the power necessary to produce that materiel.

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

Mr. JONAS of North Carolina. I yield.

Mr. EVINS. Since the gentleman apparently does not share any pride in the TVA or in that regional section of the country, I want to ask the gentleman this question: Will he take a national point of view regarding this Dixon-Yates deal and state it is excessive in its cost and that he would be protecting the taxpayers of the Nation if he opposed it because of the excessive cost from the national point of view, from the national angle?

Mr. JONAS of North Carolina. I have clearly tried to make it plain that I am not an enemy of TVA; I have not denied that I have any pride in its accomplishments; as a matter of fact, I have paid many tributes and compliments to TVA. The gentleman cannot truthfully charge me with any hostility to the people of the great State of Tennessee or of the Tennessee Valley.

Mr. EVINS. Would he protect the taxpayers of the Nation because of the costs involved in the Dixon-Yates deal?

Mr. JONAS of North Carolina. I am thinking of the taxpayers of the entire Nation.

Mr. JONES of Alabama. Mr. Speaker, will the gentleman yield?

Mr. JONAS of North Carolina. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. As I understand the gentleman's position, he commented on the fact that TVA had just recently gotten into the steam-generation business.

Mr. JONAS of North Carolina. I said that TVA started its steam-power program in 1949.

Mr. JONES of Alabama. As a matter of fact, the TVA had steam plants since the act was created.

Mr. PHILLIPS. May I say that these gentlemen are consuming the time of the gentleman from North Carolina with questions to which they already know the answers. In fairness to the gentleman from North Carolina I suggest we permit him to conclude his statement, then ask questions.

Mr. JONES of Alabama. I do not want to impose on the gentleman's time.

Mr. PHILLIPS. Steam plants were acquired from the Commonwealth Southern. The substitution of steam for hydroelectric to the extent of over 2 to 1 did not begin until 1949, exactly as the gentleman from North Carolina has stated.

Mr. JONES of Alabama. May I say to the gentleman from California that we are looking forward to hearing him. I do not want to impose on the gentleman's time unduly.

Mr. JONAS of North Carolina. I was saying when I was asked to yield the first time that when I came here I had been under the impression that a great part of the TVA program was a river-development program based upon the need for navigation and flood control. But I was surprised when I found out, as I have stated, that its major activity now is the production of power.

Last year the TVA came before the subcommittee and asked us to appropriate $254 million for the expansion of its program. We did not give them that much, but we did recommend an appropriation of about $188 million, as I recall the bill. I voted for it. This year I voted to give TVA, in the subcommittee, in the full committee, on the floor here, and in conference, another $120 million. In all candor, I must say I do not know what it takes to satisfy our friends from the Tennessee Valley area. When we appropriate $188 million in 1 year and the next year $120 million, they accuse us of trying to destroy the TVA.

Mr. ABERNETHY. I will answer the gentleman. All it will take to satisfy us is exactly what we were promised in 1952; that is all.

Mr. JONAS of North Carolina. May I answer by saying you were not promised anything in 1952 so far as I am concerned.

Mr. ABERNETHY. I know the gentleman made no commitments. I have no quarrel with the gentleman personally. The gentleman is a very fine Member of this House, he is a very able Member, and he takes care of himself and his position very well. But I do say and I do not think anyone would deny but what the man who is now President of the United States came down into the Tennessee Valley area and promised them the world with a fence around it.

Mr. JONAS of North Carolina. I do not agree with that. I think what he said was that he would be in favor of continuing to provide for the normal growth of TVA, or something to that effect. If I am wrong, please correct me. I do not understand that he said he would advocate extending TVA outside of the Tennessee Valley area, and I want to come to that in just a little bit in the course of my remarks.

Mr. ABERNETHY. There is no one here proposing to extend it outside of the Tennessee Valley area.

Mr. JONAS of North Carolina. I question that. We have an honest difference of opinion on that. The gentleman has consumed some time this afternoon exposing his position, so now let me move along with mine, please.

I contend that an appropriation of $120 million during 1 fiscal year, in view of the condition of the Federal Treasury, is a pretty healthy encouragement for TVA, and I deny that you can read any attack upon TVA in that sort of an appropriation. As a matter of fact, the President recommended $141 million, and it was the House of Representatives and the Senate that cut it back to $120 million. And, I go back to what I said a minute ago. It seems impossible to satisfy some of the advocates of TVA's expansion. We are trying our best, as I see it, to be fair and reasonable to TVA and give it all the money it reasonably requires or has any right to expect, yet the proponents of further expansion of TVA are not satisfied with the development of the Tennessee River and its tributaries. They now seek to extend the development of TVA 115 air miles west of the Tennessee River and to build a steam powerplant on the Mississippi River, which by no stretch of the imagination was contemplated as I read and understand the basic act.

Mr. ABERNETHY. I hesitate to interrupt the gentleman, but I do want to ask him one question: Is that not in the TVA territory, and also is there not a shortage of power there, and is that not the reason that the President has directed the Atomic Energy Commission to enter into a contract with Dixon and Yates to supply power to that very area?

Mr. JONAS of North Carolina. Will the gentleman permit me to defer answering that?

Mr. ABERNETHY. Yes.

Mr. JONAS of North Carolina. I am coming to that a little bit later.

It was also surprising to me, Mr. Speaker, when I discovered soon after my entering upon service on the Committee on Appropriations that we were not dealing with a little river development in Tennessee. I was amazed to learn that TVA during this fiscal year we are now in expects to produce 50 billion kilowatt hours of electricity, more electricity than any power system in the world, I am told. I was also surprised to learn that TVA will itself, from the sale of power in this fiscal year, have an income in excess of $200 million. Now, down in my part of the United States a concern that has over a billion dollars in capital given to it, interest free, by the Government, would be in a very advantageous position, and that is how much has been invested in the power program of TVA. You count up all of the other programs, and the total amount that the TVA has received from the American taxpayers will approach $2 billion. It is in excess of 1¾ billions.

Mr. GATHINGS. Mr. Speaker, if the gentleman will yield, I will give the complete figure. One billion sixty-one million seven hundred and sixty-three thousand three hundred and nineteen dollars through June 30, 1953, has been poured in.

Mr. JONAS of North Carolina. For the power program.

Mr. GATHINGS. Yes.

Mr. JONES of Alabama. Mr. Speaker, will the gentleman yield?

Mr. JONAS of North Carolina. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. Will the gentleman give us some estimate of the value of that power system at the present time?

Mr. JONAS of North Carolina. I think it has been depreciated down to about $800 million.

Mr. JONES of Alabama. As to the reproduction value of the facilities, does the gentleman have any idea what they are worth?

Mr. JONAS of North Carolina. That is in the record, but I cannot quote the figure now.

Mr. JONES of Alabama. Has it not been a pretty good investment?

Mr. JONAS of North Carolina. I will come to that, if the gentleman will permit.

So here we have a power system. We are not dealing with navigation, flood-control or resource development now. We are not talking about natural resources. We are talking about the production and distribution of power. And I say to you that I understand this is the biggest power system in the world.

Now, in view of all those facts when, if ever, do the gentlemen from the Tennessee Valley area feel that TVA will be big enough to stand on its own feet? Do not you gentlemen think we have contributed enough of the taxpayers' money to build this system and permit them to operate it interest-free, paying no Federal taxes and no State income taxes on it? It has an income of $200 million a year and yet the advocates, the proponents of TVA's expansion, are not satisfied with that.

My position with respect to TVA is simply that I believe it has come of age. It is a mature giant in the power world. I think there is enough intelligence in the officials of TVA, and amongst its friends, to figure out some way by which it can stand on its own feet hereafter, and finance its own programs; and if it will just do that, so far as I am concerned, I do not care how far TVA expands. The only objection I have to TVA expansion is that I do not think the rest of us ought to provide the money for it, because I do not think we derive the benefits.

Mr. JONES of Alabama. Mr. Speaker, will the gentleman yield?

Mr. JONAS of North Carolina. I yield.

Mr. JONES of Alabama. With all the complaints that the gentleman from North Carolina has found in the TVA, how is he going to resolve the question of this contract with the Dixon-Yates group?

Mr. JONAS of North Carolina. Let me get to that. This is background material. The TVA situation came into this debate yesterday and it has come into it today. I should like to explain to you why I, as a taxpayer, and a Representative of taxpayers, friendly to TVA and neighbor to them, with only an imaginary line between the two States separating us——

Mr. JONES of Alabama. I want to assure the gentleman from North Carolina that I have the same feeling for the taxpayers.

Mr. JONAS of North Carolina. I explained what was happening to North Carolina taxwise—we are losing more than a million dollars annually.

Mr. JONES of Alabama. That is the reason I am concerned about this contract; it is my apprehension of the taxpayers' position.

Mr. JONAS of North Carolina. Our land has been flooded. Our natural resources are being exploited and the power produced is being used for the benefit of people outside of North Carolina.

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

Mr. JONAS of North Carolina. I yield.

Mr. COOPER. Have any of the municipalities or REA cooperatives of North Carolina made application for power from TVA and been denied?

Mr. JONAS of North Carolina. Ninety-four percent of all the farms of North Carolina have REA electricity and we did it without much help from TVA.

Mr. COOPER. I am simply asking the gentleman the question: Have any of your applications from North Carolina to TVA been denied?

Mr. JONAS of North Carolina. I cited one case before.

Mr. COOPER. The gentleman has complained about not getting enough power in his great State from the TVA system. I am trying to ask the simple question: Have you made application for power and has any application been denied?

Mr. JONAS of North Carolina. I do not know about that, but I cited the case where we tried to get some cooperation from the water-control board and did not receive it.

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

Mr. JONAS of North Carolina. I yield.

Mr. PRIEST. Will the gentleman state on what basis this tax settlement of $93,000 was made? Was that by mutual agreement?

Mr. JONAS of North Carolina. No. I assume it was made on the formula that TVA uses, as is provided in the act.

Mr. PRIEST. The reason I asked the gentleman the question, in most of the counties in Tennessee where TVA pays sums in lieu of taxes, all of the reports show that the sums are equal to or greater than would be the same situation if it were a private utility. I cannot understand why there was such a discrepancy in the figures reported for this area of North Carolina.

Mr. JONAS of North Carolina. I am quoting the authority for the figures which I gave. The director of the Conservation and Development Commission of North Carolina gave the figures at Chattanooga. I think the figures for taxes paid by TVA, $93,781, was based on an AP story that came out of Knoxville just a short time before the hearing in Chattanooga. The same story shows that the State of Tennessee received from TVA over a million dollars—$1,310,124—and that the counties in Tennessee received almost the same amount, $943,442; our natural resources are being exploited, they are producing about 5 percent of the power in our State, and we should be getting two or three million dollars instead of $93,000.

Mr. PRIEST. Will the gentleman attempt to get from the State of North Carolina or its counties or the TVA or any other source the basis of that settlement? I am interested because there does seem to be some sort of discrepancy in regard to the difference in lieu of taxes.

Mr. JONAS of North Carolina. I doubt if there is any discrepancy. The same AP story shows that Georgia received only $10,000 and the counties in Georgia $54,000. Kentucky received $366,000 and the counties $31,000. Mississippi received $70,631 and the counties in that State $35,590. I am basing my comments on the AP story out of Knoxville, plus the testimony given to the Hoover task force in Chattanooga by Mr. Ben Douglas.

Mr. PRIEST. May I say to the gentleman I shall personally look into that matter and see if I can get information as to the basis for that sort of settlement.

Mr. JONAS of North Carolina. I would appreciate it if the gentleman would advise me when he receives it.

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

Mr. JONAS of North Carolina. I yield to the gentleman from Alabama.

Mr. ELLIOTT. What resources of the State of North Carolina does the gentleman contend are being depleted by the construction and use of this facility in his State?

Mr. JONAS of North Carolina. A lot of land flooded, and our water resources used.

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

Mr. JONAS of North Carolina. I yield to the gentleman from Mississippi.

Mr. ABERNETHY. The gentleman first complained about not getting any power, but as I understand the gentleman he does not complain about North Carolina getting none of the power. His complaint is about taxes.

Mr. JONAS of North Carolina. I have stated what my complaint is. The gentleman can read anything into it he cares to.

Mr. ABERNETHY. I am not trying to read anything into it.

Mr. JONAS of North Carolina. I am pointing out that I do not think it is fair, and I am pointing out that under this system North Carolina is a great loser because our natural resources have been exploited and we have not received a commensurate return tax-wise.

Mr. ABERNETHY. Does the gentleman complain about losing taxes and power or just taxes?

Mr. JONAS of North Carolina. I am complaining about the facts as I have related them. I think that has a direct relationship to this argument that TVA is a yardstick. I say it is not a fair yardstick because of the fact that the element of taxes does not enter into the rate base.

Mr. ABERNETHY. The gentleman started his speech by saying that TVA was attempting to expand its area; then a little later the gentleman made reference to the fact that not enough of this power is being assigned to the people of North Carolina, that you are not getting any of it. Does the gentleman complain about not getting any of the power?

Mr. JONAS of North Carolina. I complain about the fact that TVA has $97 million of property in my State and pays only $93,000 in taxes.

Mr. ABERNETHY. Then the gentleman does not compain about not getting any power.

Mr. JONAS of North Carolina. I am complaining about the situation as I am relating it, and I do not think the gentleman from Mississippi believes it is fair at all.

Mr. ABERNETHY. I am not going to answer the gentleman's question until he answers my question.

Mr. JONAS of North Carolina. I am not going to answer the gentleman's question unless he will answer mine.

Mr. ABERNETHY. Does the gentleman complain about not getting power? Does he want some TVA power or does he not? If he does not I think he ought to go back and revise his remarks.

Mr. JONAS of North Carolina. I am complaining about the facts as I have related them. I do not think it is fair to exploit the resources of my State and not pay a fair tax return commensurate with its property holdings.

I also pointed out that the private power companies in my State, based upon the rate of taxation they pay, if they owned that property and if they were operating these three power developments would pay over $3,500,000 in taxes.

Mr. ABERNETHY. The gentleman has made that complaint very clear, I am certain of that.

Mr. JONAS of North Carolina. But you must take the whole program.

Mr. ABERNETHY. Now I wish the gentleman would tell the House whether or not he is complaining about not getting this power.

Mr. JONAS of North Carolina. I think the gentleman understands what I am complaining about.

Mr. ABERNETHY. No; I really do not.

Mr. JONAS of North Carolina. I am afraid I am unable to clarify it in the gentleman's mind.

Is the gentleman trying to get me to indicate that I have any objection to saying that we are satisfied with the private power in North Carolina?

Mr. ABERNETHY. No; I assure the gentleman that I did not try to entrap him.

Mr. JONAS of North Carolina. No, the gentleman is not trying to trap me, and I am not worried about that. I do not have any hesitancy in saying that the private power companies in North Carolina do not gouge our people because we control them. I believe the Tennessee Public Service Commission or Utilities Commission can control the private utilities in Tennessee, too.

A lot of argument has been advanced on this floor to the effect that we are trying to turn back the Tennessee Valley area to private-power interests that will exploit that State and that area and do something bad to the people down there. I say that the private-power interests of this country are more and better regulated than any other industry I know, and we do not have any trouble regulating them in my State.

Mr. ABERNETHY. How much tax will the States of Tennessee and North Carolina get out of Dixon-Yates?

Mr. JONAS of North Carolina. I would like now, if the gentleman will permit me, to proceed to one or two other points that I wish to make.

Mr. JONES of Alabama. Mr. Speaker, will the gentleman yield for one question?

Mr. JONAS of North Carolina. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. Does the gentleman from North Carolina intend to enumerate some of the benefits that accrued to the State of North Carolina

by virtue of the construction of this plant?

Mr. JONAS of North Carolina. Why does not the gentleman, if he is sincerely interested in an answer, wait until I get to that and I will yield further?

Mr. JONES of Alabama. That is the reason I asked the question.

Mr. JONAS of North Carolina. I am sure the gentleman intends to stay here anyway, and I would ask him to postpone his question.

Mr. JONES of Alabama. I did not want to cause the gentleman to have to repeat.

Mr. JONAS of North Carolina. I have already referred to the use of TVA as a yardstick to determine what is a fair rate for power, whether it is publicly owned or privately owned. If we are going to have a yardstick, I think it ought to be a fair yardstick. I am trying to be just as generous in yielding as I can be.

I am saying that I do not believe your yardstick that you take such pride in is a fair yardstick because of two things. First, it does not reflect any cost of money, which is one of the principal items that goes into the making of a power rate, nor does it reflect a fair amount of taxes based upon what private utilities pay.

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

Mr. JONAS of North Carolina. I yield to the gentleman from Alabama.

Mr. ELLIOTT. Does the gentleman contend that the Tennessee Valley Authority, a creature of and a part of the Government of the United States, ought to be assessed Federal income taxes?

Mr. JONAS of North Carolina. If we expect to use TVA as a yardstick, we ought to make some allowance for Federal income taxes. I expect it should pay a Federal income tax. The truth is that neither TVA nor any power company actually pays the tax. They just collect the taxes from the people who consume the power. The end result is that the people who consume the 50 billion kilowatt-hours of electricity produced by TVA do not pay their fair share of the taxes because the tax item is not reflected in what they pay for power.

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

Mr. JONAS of North Carolina. I yield to the gentleman from Tennessee.

Mr. MURRAY. I have listened for about 40 minutes to the gentleman from North Carolina indicting the Tennessee Valley Authority. He has been engaged in a most vicious attack and assault upon the TVA. I was delighted in the beginning of his remarks to hear that he was a friend of TVA. I must say frankly that I regard the gentleman from North Carolina as one of the most unfriendly Members of this House to TVA.

Mr. JONAS of North Carolina. I do not intend to yield for that kind of a characterization.

Mr. MURRAY. I want to ask a question. Have you ever heard of any attempt made by the officials of TVA to enlarge or expand this area or territory?

Mr. JONAS of North Carolina. They came into our committee, and they came in last year, and asked for money to build the Fulton steam plant 115 miles outside of the TVA area. This House turned it down. The Senate turned it down.

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

Mr. JONAS of North Carolina. I decline at this time. The Senate turned it down last year. The House turned it down last year, and the House turned it down this year, and the Senate turned it down this year again.

Mr. GATHINGS. Mr. Speaker, if the gentleman will yield, and the gentlemen are complaining of their own acts.

Mr. MURRAY. Mr. Speaker, if the gentleman will yield, I say that actions speak louder than words sometimes. Now I want to ask this question: The Oak Ridge atomic energy plant is needing more power. It has been estimated that they will need 135,000 more kilowatts. Now it is believed that they will need more than that. Are you in favor of TVA furnishing this plant at Oak Ridge with this additional power, or do you want the Duke Power Co. to build a steam plant at Charlotte, in your district, and furnish the power to Oak Ridge?

Mr. JONAS of North Carolina. Well, the Duke Power Co. is not in competition, so far as I know, anywhere with TVA.

Mr. MURRAY. Answer the question.

Mr. JONAS of North Carolina. I am surprised at the gentleman trying to contend that my interest in this situation arises by reason of the fact that there is a private-power utility company operating in my district. So far as I know, there is no competition between them.

Mr. MURRAY. The gentleman has not answered my question.

Mr. PHILLIPS. Mr. Speaker, if the gentleman will yield, the gentleman is not required to answer extraneous questions, and I merely call his attention to the fact that he has 12 minutes left.

Mr. JONAS of North Carolina. I thank the gentleman. I want to answer the question. I am in favor of Oak Ridge having all the power it needs. I am in favor of Paducah having all the power it needs. And that leads me to this point. I am surprised that the strong proponents of TVA here in this House have taken such a violent objection to this contract, because I think this contract, if it is consummated, would be the answer to your hopes of having more power in the Tennessee Valley. Let me go one step further. I not only want AEC to have all the power they can use and need at Oak Ridge and Paducah, but I, for one, believe that they are going to get all they need, and if there is any shortage of power in 1957, I do not think it will be the Atomic Energy Commission that will suffer. I think it will be the people of the Tennessee Valley who refuse to admit that anybody is in a position to furnish them power except TVA. The fact is that TVA today gets from 10 to 12 percent of all the power it sells from power companies around the entire periphery of the TVA area. Testimony is on record before the committee that private power companies in Virginia, Georgia, Alabama, Mississippi, and Arkansas have made proposals to make power available to the Tennessee Valley area, but the TVA will not accept those proposals, not because the power is not available but because the price is not right. I, for one, am willing to admit that TVA can sell power cheaper than any private utility. I have never contended to the contrary, and I admit it here. Why, it would be ridiculous if it could not do it, because I have already pointed out they get their money interest free, and they do not pay any taxes.

I contend—and I shall ask you to correct me if I am wrong—that there is no authorizing legislation that will permit the appropriation of money to build the Fulton plant. I say that because I have studied the basic act. It is my view that TVA is restricted to the Tennessee River and its tributaries. Fulton, as I have said several times, is 115 miles west of the Tennessee River. All of the tributary rivers between the Tennessee and the Mississippi flow into the Mississippi and not into the Tennessee. By no stretch of the imagination can it be argued that the Mississippi is a tributary of the Tennessee. All of the language that I find in this act, in defining the territory of the Tennessee Valley Authority, restricts it to the Tennessee River and its tributaries.

Going one step further, the House evidently agrees with that view because the House turned down an appropriation for the Fulton plant this year. You may say that one reason for that was because it did not have Budget Bureau approval. But it had Budget Bureau approval last year, and the House turned it down then.

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

Mr. JONAS of North Carolina. Is not that true?

Mr. COOPER. Oh, no.

Mr. JONAS of North Carolina. Was not that in the Truman budget? That is the budget I am talking about.

Mr. COOPER. That was not the budget that the gentleman's party brought in here. They brought in the Eisenhower revised budget.

Mr. JONAS of North Carolina. There was $254 million provided, and was not $30 million of that for the Fulton plant?

Mr. COOPER. No; there was not a dime included in the Eisenhower budget last year or this year for the Fulton plant. And the distinguished gentleman from North Carolina [Mr. JONAS] led the fight on the floor against my amendment to provide for the Fulton plant.

Mr. JONAS of North Carolina. That is correct. I do not think there is any authority in the law for the building of the Fulton plant. I think you have to have authorizing legislation.

Mr. COOPER. Will the gentleman yield further at that point?

Mr. JONAS of North Carolina. I yield to the gentleman from Tennessee.

Mr. COOPER. Then, under the rules of the House of Representatives, why did not the gentleman make a point of order against my amendment and knock it out instead of opposing the amendment merely without making the point of order?

Mr. JONAS of North Carolina. I thought that the way to do it was to debate the issue and let the House decide

it, not on a point of order; but to permit the House to decide whether we should put up the money to build this steam plant at Fulton.

Mr. EVINS. Mr. Speaker, will the gentleman yield, on another point?

Mr. JONAS of North Carolina. I yield to the gentleman from Tennessee.

Mr. EVINS. The gentleman has complained that the people of the Tennessee Valley area do not recognize the feasibility of the use of private power. But the gentleman fails to recognize Electric Energy, Inc.—EEI, and the Joppa plant. Everyone, including the Federal Power Commission and the Atomic Energy Commission, recognizes that the TVA has proved itself most efficient in the building of steam plants to provide the power at cheaper cost. The gentleman will admit that, I am sure.

Mr. JONAS of North Carolina. I have never contended that the TVA is incompetent or inefficient or that it cannot build a steam plant as cheaply or as efficiently as a private company. I do not see why it should not be able to do so more efficiently because, as I have explained time and time again, it does not have to worry about where it gets its money. It does not have to pay any interest. It does not have to take care of any investors, and pay them any dividends, and it does not have to worry about taxes. I am not arguing that TVA is not able to build a steam plant as efficiently or as economically as private industry.

On yesterday in the course of the debate some editorials were inserted in the RECORD; also again today.

Mr. Speaker, I ask unanimous consent that at the conclusion of my remarks I may include as a part thereof an editorial from last night's Evening Star.

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

There was no objection.

Mr. JONAS of North Carolina. Having consumed nearly an hour, Mr. Speaker, I find that I have not had an opportunity to discuss the situation at Paducah. I think that is a part of this TVA story. I would discuss that aspect of this problem now if it had not been for a charge made here this afternoon that I have delivered a vicious attack on TVA. I recognize that everyone has a right to his own opinion about it. I recognize that the partisans of TVA will never be convinced that anyone who dares to criticize anything that happens in the TVA or dares to raise a constructive suggestion that TVA would be well advised to try to figure out some way by which that organization could stand on its own feet, is anything but an enemy of TVA. I realize that there are those who contend that I am an enemy of TVA. I have disclaimed that. Someone said that actions speak louder than words. I have already explained that last year on my subcommittee, I voted to give TVA $188 million—and that is not chicken feed in my part of the country. This year I voted TVA another $120 million. If you call that undertaking to destroy or damage TVA, I do not understand it that way. I am happy to admit I believe that TVA ought to stand on its own feet. I believe it is able to do that, and I think it would be in its own best interest to do that as well as in the interest of the people of the Tennessee Valley.

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

Mr. JONAS of North Carolina. I yield.

Mr. PHILLIPS. Is it not a fact that during the discussions last year on this very point, both in committee on the outside and in full committee, we found that many people who are known friends of TVA were very much of the opinion that the TVA had reached a point where it could stand on its own feet, and if nothing else, should begin to pay interest on the money which it has received from the Government?

Mr. JONAS of North Carolina. That is correct. But, whenever any of us who have that view stand up and express it, we are attacked by the partisans of TVA and accused of seeking to destroy it for some ulterior motive. I just do not understand the reason for that sort of reaction.

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

Mr. JONAS of North Carolina. I yield.

Mr. PHILLIPS. This is a rather personal matter, but the gentleman has just about consumed his time. He said he wanted to talk about the Paducah situation, and I, for one, should like to hear him. I call the gentleman's attention to the fact that I have a special order for tomorrow, and if the gentleman cares to take some of that time to discuss the Paducah situation, I shall gladly yield to him then.

Mr. JONAS of North Carolina. I thank the gentleman.

Mr. GATHINGS. Mr. Speaker, I commend the gentleman for his forthright and courageous speech.

Mr. PHILLIPS. I also commend the gentleman and congratulate him for bringing many of these facts to the attention of the House.

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

Mr. JONAS of North Carolina. I yield.

Mr. PRIEST. The gentleman used the phrase "Tennessee had reached the point where it could stand on its own feet."

Mr. JONAS of North Carolina. The Tennessee Valley Authority.

Mr. PRIEST. Yes.

Mr. JONAS of North Carolina. The great State of Tennessee can stand on its own feet and has been doing so for many years. I have never said anything unkind about the gentleman or his State.

Mr. PRIEST. The question of standing on its own feet and doing the job which Congress directed it should do was emphasized again in 1939 when it approved the sale of Commonwealth Southern, and to do that job it must supply the power needs of that area. The gentleman must agree to that.

Mr. JONAS of North Carolina. Basically. But it is not doing that now exclusively.

Mr. PRIEST. That is the point I wanted to make.

[From the Washington Evening Star of July 12, 1954]

MR. FULBRIGHT VERSUS HUMBUG

Senator FULBRIGHT belongs to what is described as the liberal wing of the Democratic Party. He also has always been, and still is, a strong supporter of the Tennessee Valley Authority. So it is a particularly impressive fact that he has come out with a vigorous full-dress defense of the President's directive to the Atomic Energy Commission to negotiate a 25-year contract with two private companies for construction of a powerplant at West Memphis, Ark.

Arkansas, of course, is Mr. FULBRIGHT's home State, and certain benefits would naturally accrue to it from the building and operation of such a plant. But that is not the real reason why he has spoken out as he has in the Senate. The real reason, as he has put it, is that the proposed contract has been so viciously attacked, and I think so unfairly and so erroneously attacked, and figures have been so freely used without justification, that some one simply had to say something about the actual facts.

Broadly speaking, the proposal's critics (mostly the Democratic liberals) have made the following major charges, among others: (1) That the AEC has no legal authority to negotiate the contract in question; (2) that the President has exceeded his powers in issuing his directive; (3) that the directive constitutes a sort of sly, underhanded move that would misuse one of the Nation's most vital and sensitive agencies to initiate a policy that could ultimately destroy TVA for the benefit of the private utilities; and (4) that power from the projected plant would cost the Government between $3.5 million and $5.5 million more a year than equivalent power from facilities that TVA could build at Fulton, Tenn.

These and similar charges, however, have been effectively rebutted by Mr. FULBRIGHT. True enough, his Friday speech does not constitute the last or most authoritative word on the subject, but it certainly presents a persuasive case in favor of the proposed contract—an arrangement under which the private companies, at a cost of about $107 million, would build a 600,000-kilowatt plant whose output (which would be for nongovernmental consumers in the Memphis area) would be fed into the TVA system to make up for a comparable amount of TVA power now being delivered to the atomic installations at Paducah, Ky. Clearly, judging from Mr. FULBRIGHT's argument, the AEC's legal right to negotiate such a contract and the propriety and validity of the President's directive seem to be wholly beyond question.

Further, from the standpoint of the economics involved, Mr. FULBRIGHT has powerfully challenged the figures of the opposition. Using the present AEC-TVA Paducah contract as a yardstick, he has presented a table showing that power from the West Memphis project, far from imposing an additional annual cost of up to $5.5 million, would cost only $282,000 more a year than power from the TVA. And above all, in addition to citing other advantages inherent in the proposed arrangement, the Senator has stressed the important fiscal fact that it would obviate the need for a Government outlay of about $100 million that would otherwise have to be spent on new TVA facilities during the next 3 years.

A summary of this sort cannot do justice to all the points raised by Mr. FULBRIGHT. Suffice to say, however, that his speech—taken together with the statement just issued by the Budget Bureau—makes much of the criticism of the directive look like the sheerest sort of humbug. As he sees the proposed contract, there is "nothing immoral, illegal, or wrong about it in any way." On the contrary, he welcomes it for what it plainly seems to be—an honest and aboveboard effort to cut down on Federal outlays

and encourage free enterprise in a manner that will serve the national interest without hurting TVA.

The SPEAKER pro tempore. The time of the gentleman from North Carolina [Mr. JONAS] has expired.

EXTENSION OF REMARKS

Mr. PHILLIPS. Mr. Speaker, I have two requests to make on behalf of my colleague, the gentleman from New Jersey [Mr. WOLVERTON].

First, that all Members of the House who desire may extend their remarks in general debate on H. R. 8356.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. PHILLIPS. And on behalf of the gentleman from New Jersey [Mr. WOLVERTON], I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks in the RECORD on the bill H. R. 8356.

The SPEAKER pro tempore. Is there objection?

There was no objection.

TENNESSEE VALLEY AUTHORITY

The SPEAKER pro tempore (Mr. O'KONSKI). Under previous order of the House, the gentleman from Alabama [Mr. JONES] is recognized for 15 minutes.

Mr. JONES of Alabama. Since the President sent a communication down to the Atomic Energy Commission to undertake negotiations with the Dixon-Yates group to construct a generating facility to supply the needs of AEC, in a rather circuitous fashion, by furnishing the power to AEC and in turn to TVA, the question came to my mind upon what legal authority the AEC would conduct this procurement policy and how it would make contracts on and in behalf of the Tennessee Valley Authority. I have made diligent inquiry from the AEC, and all committees in connection with this problem, to determine the legal authority under which AEC was to make this contract for TVA. So far I have not been satisfied from any source that I have contacted. I felt that it would be necessary for us to make an appeal to the highest authority, the highest legal authority in the executive department, and let him examine this whole proposal and see whether or not the legal requirements are being met by the Atomic Energy Commission, as far as the contractual relationship for TVA is concerned.

Today I directed the following letter to Mr. Brownell, Attorney General of the United States:

WASHINGTON, D. C., *July 13, 1954.*

The Honorable HERBERT BROWNELL, Jr.,
Attorney General of the United States,
Washington, D. C.

DEAR MR. BROWNELL: Because of the current controversy with respect to the directive of the President to the AEC to contract with the Dixon-Yates syndicate for 600,000 kilowatts of power to be delivered to TVA at a point near Memphis, I have made a search of the AEC Act to attempt to discover under what authority AEC could enter into such a contract. From my review of this legal problem, it seems to me that the existence of such authority is extremely doubtful. I believe it would be helpful in clarifying public discussion if you would look into this problem and give the Congress your opinion as to the legality of the proposed contract.

The act of July 17, 1953, which added a new section 12 (d) to the Atomic Energy Act of 1946, authorizes the Atomic Energy Commission in connection with the construction or operation of its Oak Ridge, Paducah, and Portsmouth installations "to enter into new contracts or modify or confirm existing contracts to provide for electric utility services for periods not exceeding 25 years." If the President's directives contemplated a source of additional power for AEC's own needs, the foregoing provision would seem to provide adequate statutory authority. However, the letters of June 16, which were sent by the Bureau of the Budget at the direction of the President to Chairman Lewis L. Strauss, of the Atomic Energy Commission, Vice Chairman Harry A. Curtis, of the Tennesse Valley Authority; and Chairman Leverett Saltonstall, of the Independent Offices Subcommittee of the Senate Committee on Appropriations, make clear this is is not the case. Although the President's budget message of January 21, 1954 stated that AEC would undertake negotiations with private utilities for the purpose of replacing 500,000 to 600,000 kilowatts of the power which TVA is committed to supply AEC at Paducah, and would result in releasing TVA from its power-supply obligations to AEC in the same amount, the letter to Dr. Curtis expressly states that "AEC will maintain in force its full contract with TVA at Paducah." The net effect of the transaction, therefore, would be to add 600,000 kilowatts on the TVA system for loads other than the AEC load at Paducah. Although AEC would receive none of the additional power made available by the Dixon-Yates syndicate, the directives require AEC to reimburse Dixon-Yates in the amount of State and local taxes on the new powerplant to be built in Arkansas, such taxes being estimated at $1,499,000. This expenditure is in addition to extra costs which would be imposed on TVA in amounts variously estimated at from $2,200,000 to almost twice that amount.

The specific questions which I wish to raise in the light of the foregoing facts are as follows:

1. Can the proposed contract between the Atomic Energy Commission and the Dixon-Yates syndicate reasonably be considered as being entered into "in connection with the construction or operation" or the Paducah facility inasmuch as it would add nothing whatever to the power now available at Paducah for construction and operation of said facility?

2. Does a contract, the purpose of which is to add 600,000 kilowatts to the amount of power available to TVA for general area loads, come within the authorization to AEC in the act of July 17, 1953, to contract for electric-utility services, or does such authorization in the context of the act relate to the Commission's own requirements for electric-utility service rather than to electric-utility service for other organizations and agencies?

3. Does the act of July 17, 1953, or any other provision of the Atomic Energy Act authorize AEC to spend $1½ million a year for the purpose of subsidizing the Dixon-Yates syndicate for power supply which is in no way required for or used by the Atomic Energy Commission?

The provisions of the Independent Offices Appropriation Act, 1955, which would presumably be the source of the funds to be expended by AEC, are also involved in the question of AEC's legal authority to commit the Treasury to payments of $1½ million a year for 25 years, in return for which it will receive nothing. The appropriation is made available for "necessary operating expenses of the Commission in carrying out the purposes of the Atomic Energy Act of 1946." In your opinion can the proposed expenditures be considered as necessary operating expenses for carrying out AEC's functions when it will receive none of the power and benefit in any way from the expenditures?

A prompt expression of your views on the foregoing questions would, I am sure, contribute to a general public understanding of the issues involved in this important matter.

Sincerely,

ROBERT E. JONES,
Member of Congress.

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

Mr. JONES of Alabama. I yield to the gentleman from Mississippi.

Mr. WHITTEN. I wish to commend the gentleman for having requested that opinion; however it strikes me that before the Government would enter into such a contract in advance there should have been such a legal opinion. I trust that opinion will be forthcoming.

Mr. JONES of Alabama. I am quite satisfied that the Attorney General will direct his attention to such a problem because on yesterday we were given assurances by the gentleman from California [Mr. PHILLIPS], as I recall, that the contract had not been completed and was still the subject of negotiation between Mr. Yates, Mr. Dixon, and the AEC; so I am quite sure that the request comes in time.

Mr. WHITTEN. I did not mean it that way. I rather think the gentleman is going to find out there is no such legal opinion. I am merely stating there should have been preceding the directive to enter into a contract a legal finding as to authority for it. I doubt the gentleman will find such is the fact, but certainly there should have been.

Mr. JONES of Alabama. I am sure that the Attorney General who has expressed on numerous occasions his desire to look in and see that all laws are upheld will direct his attention to it.

Mr. WHITTEN. If the gentleman will permit me, I would like to say that I certainly have appreciated the statements that have been made on this side of the aisle in support of the TVA activity. I have always tried to believe and have believed that the TVA in its operations had a real national interest. Many statements are made about the TVA not paying taxes to the Government. Why, TVA is the Government. It is run by the Government, it belongs to the Government.

It has been pointed out that the TVA is not a fair yardstick. I know the gentleman and I have never tried to insist that it was what we might term a fair measuring stick in that it has some natural advantages in deepness of the river valleys and things of that sort; but is a measurement by which we can tell the cost of doing certain things in connection with power generation and sales. It is a challenge to the private utilities. It has a value to the whole Nation therefore.

I was surprised to learn not long ago that beginning with the TVA era, the closer the private utility was to TVA the greater the increase in its power sales, the greater reduction in its rates and the greater its earnings. As you get away from TVA those things go down and up

directly in proportion to the distances you get away.

Mr. JONES of Alabama. What is true of the TVA in that respect is also true in connection with the distribution of public power in the Columbia River country.

Mr. WHITTEN. Some years ago I served on a committee. The attacks against the TVA are just the same today as they were years ago when I served on that committee. You can see through all of it an effort to get rid of a comparison of rates by the TVA with the private utilities; inferentially so they can raise their rates.

I want to show the gentleman, if I may have another moment of his time, that in the House appropriation bill our friends listened to the advocates of the private power companies who would like to get rid of this comparison and not only recommended that we take out the cash operating funds to cripple its operations but after all of that they take off all the restrictions on what the retailer charges for the electricity, at the retail level; in other words, an invitation to cities and distributors to let the sky be the limit on retail sales prices and they do not care who gets the money. I point out that as showing you what they are trying to reach is to raise the rates at retail. Now, under this Dixon-Yates contract we find they have gone one step further. They come in here, and through the instrumentality of the Atomic Energy Commission, by a strained construction, an agency that is supposed to be independent, tell that Commission which had authority to buy power for its own use for many years "You buy it here and resell it over there. Generate it through the TVA and let them pick up the check" and reflect the entire rates to the retailers, that is, this added cost. In this case it is even worse than the House committee did, because here they did not point out who was going to get the money in the increased rates in the area. And, I think by going through the Atomic Energy channel that they have pointed up nationally the need for us to write into the Atomic Energy Act further restrictions to see that the benefits of atomic energy in the future, as many have advocated dealing with the subject, protection to see that the benefits go to all of us, because in this instance under the guise of saving money, we really are paying out through the Atomic Energy Commission more and more money to a small group who we set up in business, who we contract with to take its output, who we guarantee tremendous profits, whose taxes we pay, all to the benefit of the few stockholders in a few companies of Dixon-Yates. If it is smart business for the Federal Government, whose Atomic Energy Commission is working for all of us, to pay higher rates for what they get than we can supply it for, I cannot see that that is sound business.

Mr. JONES of Alabama. Not only what the gentleman from Mississippi said is true, but the fact is he is a member of the Committee on Appropriations, and when the appropriation bill was pending in that committee, why no information was given to the Committee on Appropriations that this problem as it is presented today was involved.

The SPEAKER pro tempore. The time of the gentleman from Alabama has expired.

FEDERAL-STATE UNEMPLOYMENT INSURANCE SYSTEM

Mr. EBERHARTER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. EBERHARTER. Mr. Speaker, last week the House voted 241 to 110 against amendments offered by the gentleman from Rhode Island [Mr. FORAND] to H. R. 9709, a bill extending the coverage of the Federal-State unemployment insurance system. The bill, as passed, would do absolutely nothing for the presently insured unemployed millions who are receiving inadequate benefits for inadequate periods of time. More than 600,000 of these insured workers have already exhausted their benefits.

The Forand amendments would have increased the amount of unemployment insurance payments to a minimum of 50 percent of the insured worker's regular wages, up to a maximum of 66⅔ percent of the average wage in the State, and would have increased the duration of benefit payments for a period up to 26 weeks.

I have been given an interesting analysis of the vote on the Forand amendments, showing the labor market areas in group 4—that is, having 6 percent or more of unemployment—broken down into the congressional districts from which came those Members who voted directly against the increase and extension of unemployment insurance benefits. This analysis might be very embarrassing to these particular Members of Congress, and for this reason I will not insert the analysis in the RECORD.

Mr. Speaker, on the same subject, an article in the July 16 issue of the U. S. News & World Report, page 24, states that there are right now areas suffering severe unemployment conditions from which 95 Members of the 84th Congress will be elected. I need not argue that in those 95 congressional districts the matter of unemployment will be an issue of considerable importance, and the record covering the proceedings on the Forand amendments shows that 47 Republicans from these districts voted against the proposal to increase the amount of the benefits and lengthen the duration of the payments.

Mr. Speaker, I have also been furnished with a copy of the bimonthly summary of labor market developments in major areas, issued by the Bureau of Employment Security of the Department of Labor for May 1954—the latest obtainable data. Among other things, this explains the classification of 44 major labor market areas into group IV–A, having 6 percent or more unemployment, along with 42 smaller areas, making a total of 86 areas having 6 percent or more unemployment; also, 7 major areas into group IV–B, having 12 percent or more unemployment, along with 31 smaller areas, making a total of 38 areas having 12 percent or more unemployment. This amounts to a total of 124 labor market areas—more than half of the 222 labor market areas—having 6 percent or more unemployment.

The analysis—which I am not inserting in the RECORD—shows that in 52 congressional districts containing 89 cities in 72 group IV labor market areas, of which 42 have 12 percent or more unemployment and 30 have 6 percent or more unemployment, 47 Republicans voted against increasing the amount of unemployment insurance payments and extension of the number of weeks duration of such payments. In the words of the minority report on the bill, they voted to give the unemployed not bread, but a stone.

I insert at this point excerpts from the Bimonthly Summary of Labor Market Developments issued by the Bureau of Employment Security of the Department of Labor:

EXCERPTS FROM BIMONTHLY SUMMARY

Recent downtrends in national unemployment totals have not yet significantly reduced the excess of labor supply as related to employment opportunities in most of the country's major production and employment centers. This was indicated by the latest survey of area manpower conditions in 149 of the Nation's largest labor markets conducted by the Bureau of Employment Security in cooperation with affiliated State employment security agencies.

The survey showed some increases in labor surpluses in a number of important areas even though the usual spring employment pickup in selected activities was getting underway. In 21 of the 149 major labor market areas, the rise in joblessness was sufficiently large to result in a change in the area's' labor supply classification between March and May. Classification changes for the current period were thus less far-reaching than those in the previous (January to March) period. Between January and March, 45 of the 149 major areas had been reclassified according to relative adequacy of labor supply. All of these were shifted to looser labor supply categories. None of the recently surveyed areas reported sufficient unemployment decreases to warrant a shift to a classification reflecting tighter labor supply.

With the issuance of the May area classification listing, the former group IV—substantial labor surplus—category is being split into two separate groupings (IV–A and IV–B) in order to identify and isolate those areas with the most serious unemployment problems. The group IV–B category will be used to designate areas with very substantial labor surpluses—where unemployment (apart from seasonal and temporary factors) affects about 12 percent, or more of the area's work force. Seven major areas—Lawrence, Mass.; Providence, R. I.; Ponce, P. R.; Kenosha, Wis.; and Altoona, Johnstown, and Wilkes-Barre-Hazelton, Pa.—have been placed in the group IV–B category at this time.

A summary of May classifications for the 149 major areas is shown below, together with comparable figures from the previous summary released in March and from that of May 1953. The number of smaller areas classified because of the existence of substantial unemployment during each period is also indicated in the tabulation.

Classification	Major areas			Description of classification
	May 1954	Mar. 1954	May 1953	
Group I	0	0	5	Areas of labor shortage.
Group II	16	20	68	Areas of balanced labor supply.
Group III	82	95	60	Areas of moderate labor surplus.
Group IV	51	34	16	
IV-A	44	------	------	Areas of substantial labor surplus.
IV-B	7	------	------	Areas of very substantial labor surplus.
Total	149	149	149	
	Smaller areas			
Group IV	73	46	18	
IV-A	42	------	------	Areas of substantial labor surplus.
IV-B	31	------	------	Areas of very substantial labor surplus.

Seventeen of the twenty-one major areas shifting to new classification ratings between March and May were transferred from group III (moderate labor surplus) classifications to the new group IV-A (substantial surplus) category. Among this group—in addition to the Canton, Ohio, area (previously assigned a group IV rating in April)—were such key centers as Philadelphia, Pittsburgh, St. Louis, and Buffalo. The Chicago area—which covers three counties in Illinois and Indiana—was among the four areas transferred from group II (balanced labor supply category) to group III. * * *

PENNSYLVANIA

Lancaster: Increased labor surplus due to general moderate employment decline in most industries since last summer peak; manufacturing reduction heaviest in textiles, machinery. Unemployment half again higher than year ago. Small job gains are in prospect to summer but will be more than offset by students and summer workers entering labor force.

Erie: Nonelectrical machinery leads general manufacturing decline as factory jobs drop one-eighth since March 1953. Durable goods losses, ebbing trade and transport payroll boost jobless rolls to substantial level. Further layoffs in railroad equipment indicated to July.

Philadelphia: Over-the-year declines in manufacturing primarily responsible for substantial labor surplus. Transportation equipment, machinery, primary metals, textiles most affected. Another fractional employment decline foreseen to July as ebb in factory activity continues, cancelling out seasonal nonmanufacturing advance.

Pittsburgh: Factory jobs drop to 10 percent below year-ago levels; steel cutbacks responsible for half of recent decline. Scheduled small seasonal gains to July not expected to cut unemployment to below substantial levels.

Reading: Increased labor surplus traceable to 10 percent factory drop over past year. Primary metals, apparel, food, transportation equipment show sharpest recent losses. Continued decline in primary metals appears in prospect.

Berwick-Bloomsburg: Sharp drop in dominant transportation (railroad) equipment attributed to termination of Government, civilian contracts. Jobless rolls 50 percent above last November, nearly triple year ago.

New Castle (added to group IV list in April): Durable goods decline (steel, machinery, auto parts) results from drop in civilian, defense orders. Unemployed—mostly unskilled, semiskilled male industrial workers—three times as numerous as last year.

Mr. Speaker, I have not included in the foregoing excerpts information covering many other areas of the country because Pennsylvania can be considered as fairly indicative of conditions prevailing in other industrial States.

It is my conclusion, both from personal observation and from official statistical reports from the Department of Labor, that we should not look forward with any optimism insofar as increased employment is concerned.

VETERANS' LEGISLATION

The SPEAKER pro tempore. Under previous order of the House, the gentlewoman from Massachusetts [Mrs. ROGERS] is recognized for 2 hours.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I rise at this time to remind the Members of the House that a petition will soon be placed on the desk to discharge the Rules Committee from further consideration of H. R. 9020, a bill providing for an increase in compensation for service-connected and other cases. I know the gentleman from New York [Mr. RADWAN] did not want to introduce this discharge petition, but it was necessary because in spite of repeated requests we have had no rule. The gentleman from New York is on the floor and will address himself to his bill.

I know the Members need not be reminded that the flower of our country went to war, fought, and died, and many were disabled in order to keep this country safe and free. In future wars it will be our young men, the flower of the country, who will fight for us. They are expendables in war. The veterans seem to be expendable in peace, and an effort to take away their benefits and compensation, and care and help, by cuts in appropriations, cutting training and compensation, is being made.

I appeal to the House to help the Veterans' Committee in their efforts to stop this unfair treatment of the veterans, and to secure the passage of their legislation.

Mr. Speaker, the Committee on Veterans' Affairs has been very busy during the entire 83d Congress. This applies both to the first, as well as the second session. By far the vast majority of the bills which have been introduced have received hearings or other attention by the subcommittees or the full committee so that the questions presented by this legislation have been disposed of in one way or another.

In all, 111 sessions of the committee or its subcommittees have thus far been held during the Congress. This has resulted in the printing of 5,289 pages of printed testimony taken by the full committee or one of its subcommittees.

During the first session the Subcommittee on Hospitals conducted a thorough and careful study of the questions raised by opponents of hospitalization and medical care for veterans and came to the unanimous conclusion that the present system was working well and that the extension of hospital care and medical services should be continued on its present basis without curtailment. The full findings and recommendations of the subcommittee which were later approved by the full committee are outlined in a committee resolution adopted on March 24, 1954, which I insert at this point in the RECORD:

HOSPITALIZATION RESOLUTION ADOPTED BY COMMITTEE, MARCH 24, 1954

Whereas the Subcommittee on Hospitals of the Committee on Veterans' Affairs did circulate a questionnaire among all Veterans' Administration hospitals and other medical facilities during 1953, in an effort to determine the efficiency and adequacy of their operation; and

Whereas said subcommittee held hearings of 3 weeks' duration, providing 1,265 pages of printed testimony on the subject of entitlement and eligibility of veterans for hospital care; and

Whereas all interested organizations, including veterans' groups, medical societies, and appropriate officials of the Government, were heard on this subject; and

Whereas the Veterans' Administration has issued an addendum to the admission application form for hospital care requiring the listing of assets and liabilities for non-service-connected cases; and

Whereas information on said addendum is not to be divulged to other than appropriate Veterans' Administration officials; and

Whereas said addendum does not preclude hospitalization for needy cases: Therefore be it

Resolved, That the Committee on Veterans' Affairs approves the present unlimited hospitalization of service-connected veterans; and be it further

Resolved, That the committee urges the cooperation of all veterans' groups and all other parties interested in medical care for veterans that the new admission policy be given a fair trial and period of operation before any final conclusion is reached on its workability or feasibility; and be it further

Resolved, That no legislation be considered on this subject until the effect of the new policy has been determined; and be it further

Resolved, That the committee approves the continued hospitalization of non-service-connected neuropsychiatric and tubercular veterans; and be it further

Resolved, That the committee approves the continued hospitalization of other groups of non-service-connected veterans where beds are available and the veteran does not have the ability to pay for private hospitalization.

The Subcommittee on Housing has held several hearings both in Washington and in the field in an effort to eliminate abuses which have arisen in the providing of housing for veterans and to further improve the administration of those laws by the Veterans' Administration. The bill H. R. 8152, which authorizes the continuance of the direct loan program for another year, or until June 30, 1955, was passed by the House earlier this session and is now pending before the Banking and Currency Committee in the Senate. This bill, which would also authorize $100 million additional in funds, has been temporarily laid aside in order for the conferees on the general housing bill, H. R. 7839, to reach an agreement on section 902, which provides for the same extension of time, but with double the money—$200 million.

All of these investigations have been helpful to the cause of veterans and to the general field of veterans' legislation. However, it is legislation, Mr. Speaker, upon which a record is built. Eleven bills have been enacted into law which

were reported by the Committee on Veterans' Affairs during the current Congress, and one is now pending before the President. There are numerous other bills which should be enacted into law and which are either pending on the Consent Calendar or before the Rules Committee.

As Members know, I have been concentrating recently, together with other members of my committee, to obtain passage of H. R. 9020, which seeks to increase the rates of compensation and pension for veterans and their dependents. This bill, reported unanimously by the Committee on Veterans' Affairs on May 28, 1954, has been since that time before the Rules Committee, despite the fact that a majority of the members of that committee have signified a willingness to vote for a rule, if given the opportunity to do so. I deeply believe, Mr. Speaker, that this bill should be passed and enacted into law prior to the adjournment of this Congress, and that other legislation which I shall mention in a few moments should also reach the House floor for discussion and debate. I believe that even a casual investigation will show the merits of the proposals which the Committee on Veterans' Affairs has reported and which certainly warrant approval of the Congress prior to adjournment.

The bill, H. R. 5380, seeks to extend pensions for veterans serving in the Moro Province, Mindanao, or in the islands of Samar and Leyte after July 4, 1902, and prior to January 1, 1914. This measure, reported after careful consideration by the Subcommittee on Spanish War, headed by the gentleman from Washington [Mr. MACK], would provide pensions for a group of veterans and their dependents who saw real service after the close of the Spanish-American War. It was reported in June of 1953 and despite all of our efforts, we have not been successful in getting the bill considered either on the Consent Calendar or by the Rules Committee, even though we have made repeated requests for consideration. It seems very unlikely that this legislation would cost more than $800,000. I insert at this point an explanation of this measure:

PENSIONS FOR MORO PROVINCE SERVICE, 1902–14, H. R. 5380

Title: To extend pension benefits under the laws reenacted by Public Law 269, 74th Congress, August 13, 1935, as now or hereafter amended to certain persons who served with the United States military or naval forces engaged in hostilities in the Moro Province, including Mindanao, or in the islands of Samar and Leyte, after July 4, 1902, and prior to January 1, 1914, and to their unmarried widows, child, or children.

Mr. MACK of Washington. Introduced and referred May 25, 1953.

Analysis: Gives Spanish-American War pension rates to those who served in the Moro Province, including Mindanao, or in the islands of Samar and Leyte, after July 4, 1902, and prior to January 1, 1914; also includes surviving unremarried widows, child, or children.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"The general purpose of these bills is to provide a service pension under the conditions and at the rates prescribed by the laws reenacted by Public Law 269, 74th Congress, August 13, 1935, as now or hereafter amended, for any person who served in any unit of the United States military or naval forces while such unit was engaged in hostilities in the Moro Province, including Mindanao, or in the islands of Samar and Leyte, after July 4, 1902, and prior to January 1, 1914, who was honorably discharged from the enlistment in which such service occurred, and for the surviving unremarried widow, child, or children of such person. For the ready reference of the committee there is furnished herewith a table showing the pension rates currently payable to veterans and their dependents under the mentioned laws. * * *

"Persons comprehended by the bills are presently entitled to all benefits prescribed by law for former members of the Regular Establishment, or as they are sometimes called, peacetime veterans. It is felt that a brief reference to benefits now available to such veterans and their dependents would be helpful to the committee in its consideration of these bills.

"Present benefits include compensation at peacetime rates for disabilities resulting from personal injury or disease contracted in line of duty or for an aggravation of a preexisting injury or disease contracted or suffered in line of duty and not the result of the person's own misconduct. Compensation at peacetime rates is also payable to dependents on account of the death of such veterans from service-connected causes. Compensation is payable at wartime rates for disabilities incurred in line of duty as a result of armed conflict or extrahazardous service, including such service under conditions simulating war, and for death from such disabilities, pursuant to paragraph 1 (c), part II, Veterans Regulations No. 1 (a), as amended. Veterans entitled to compensation at wartime or peacetime rates are entitled to additional compensation for dependents if their service-connected disability is rated at not less than 50 percent. * * *

"From time to time bills have been introduced in the Congress which have had as their purpose the conferring of wartime benefits on the group who served in the Philippines for periods subsequent to the termination of the Philippine Insurrection on July 4, 1902 (July 15, 1903, as regards service in the Moro Province). During the 78th Congress, one such bill, H. R. 4099, was introduced, designed to confer a wartime status on the same group set forth in the subject bills through the extension of the official ending date of the Philippine Insurrection, to include service with the United States military or naval forces engaged in hostilities in the Moro Province, including Mindanao, or in the islands of Samar and Leyte, between July 5, 1902, and December 31, 1913. H. R. 4099 likewise was primarily designed to provide service pensions for this group. The bill passed the House of Representatives on March 27, 1944, and the Senate on November 27, 1944, but was returned by the President to the House of Representatives without his approval on December 8, 1944. In his veto message (H. Doc. 804, 78th Cong.), the President stated:

" 'This measure would grant special benefits to a particular group and exclude other members of the Regular Military and Naval Establishments who similarly have been called upon, on numerous occasions, to engage in similar military operations in times of peace. I believe that it is sound in principle to abide by the official beginning and ending dates of wars in providing benefits, heretofore described, and feel that extension of the period of the Philippine Insurrection, beyond that established in conformity with recognized legal precedents, would constitute sufficient deviation from that principle to invite further exceptions for additional groups with service in military occupations, expeditions, or campaigns other than during a period of war'."

"Attention is invited to the fact that by applying Spanish-American War pension criteria, these bills, if enacted, would grant to eligible peacetime veterans and their widows and children generally more liberal pension benefits, both as to rates and eligibility criteria, than are provided for veterans of World War I, World War II, or service on or after June 27, 1950, and their widows and children.

"Enactment of the proposed legislation might serve as a precedent for requests for similar legislation on behalf of veterans of our Armed Forces who served in other campaigns, expeditions, or occupations, including members of the occupation forces after World War I and World War II whose only service was rendered in other than a war period. There is also for consideration what precedential effect the enactment of these bills might have with respect to requests for additional wartime benefits, such as hospital and domiciliary care and burial benefits, for the group within the purview of the bills, and other comparable groups.

"In any event, the matter of authorizing service pension for additional groups of beneficiaries involves a question of broad public policy, and it is the view of the Veterans' Administration that any revision of that policy is primarily for the consideration of, and determination by, the Congress.

"There are no records in the Veterans' Administration on which to base a worthwhile estimate of the cost of the proposed legislation.

"Advice has been received from the Bureau of the Budget that enactment of the proposed legislation would not be in accord with the program of the President."

Reported: June 10, 1953; House Report 534.

Pending on the Consent Calendar is H. R. 7712 which I introduced at the request of the Disabled American Veterans, which provides for a statutory rate of compensation of $266 a month for veterans who have lost an eye, in combination with the loss of a limb. Needless to say, the cases concerned here are only those with service-connected disabilities. It is a meritorious measure and one which would cost very little, if enacted, I am sure, despite the fact that the Veterans' Administration has been unable to furnish a estimate of cost. I insert at this point an explanation of this measure:

STATUTORY RATE FOR CERTAIN LOSSES, H. R. 7712

Title: To amend the veterans regulations to provide an increased statutory rate of compensation for veterans suffering the loss or loss of use of an eye in combination with the loss or loss of use of a limb.

Mrs. ROGERS of Massachusetts. Introduced and referred February 3, 1954.

Analysis: Provides a statutory rate of compensation of $266 a month for veterans who have lost an eye in combination with the loss of a limb. The rate today varies depending on the severity of the disability, and this bill would put this class of veterans on a parity with those who have lost both legs or both hands or are blind.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"The World War Veterans Act, 1924, as amended, provided a rate of $100 monthly for total permanent disability and an additional sum of $50 monthly if the disabled person was so helpless as to be in need of a nurse or attendant. The act provided a statutory total permanent disability rating for the loss or loss of use of 1 hand or 1 foot with blindness of 1 eye. However, these conditions of themselves have generally not been considered as requiring regular aid and attendance and have not been paid the additional allowance for a nurse or attendant. The $50 allowance was, however, generally

paid to persons having lost, or lost the use of both hands, or both feet, or of both eyes, or of 1 foot and 1 hand. Under Public Law 2, 73d Congress, and Veterans' Regulation No. 1 (a), as amended, the rates for permanent total disability and for disability causing need for regular aid and attendance were combined into 1 rate of $150 (now $266), and this rate was made applicable to the 4 combinations presently included in subparagraph (1), supra, namely, the anatomical loss or loss of use of both hands, or both feet, or of 1 hand and 1 foot, or blindness in both eyes, with 5/200 visual acuity or less. This rate was not provided for the loss or loss of use of 1 hand and 1 eye or 1 foot and 1 eye because, as indicated, such losses generally do not require the regular aid and attendance of another person.

"The bill, if enacted, would provide the same rate of compensation for veterans who generally do not require regular aid and attendance as is now provided for those who do require regular aid and attendance.

"The basic rates of compensation for service-connected disability under the act of March 20, 1933, and the veterans' regulations issued pursuant thereto, are based generally on the theory that the amount of compensation payable should be proportionate to the degree of disability resulting from injury or disease. The authorizing of special rates of compensation in excess of those prescribed according to the degree of disability involves a policy which is primarily for determination by the Congress. But it must be recognized that in the absence of a medical or other sound basis for such special awards they create inequities and are difficult to justify.

"The Veterans' Administration does not have available data on which to base an estimate of the cost of the bill, if enacted.

"It is believed that the basic principle that the amount of compensation payable should be proportionate to the extent of disability is sound and that legislative proposals to make additional exceptions, if favorably acted upon, may contribute to adverse criticism and possible impairment of the compensation program. Accordingly, the Veteran's Administration is unable to recommend favorable consideration of H. R. 7712 by your committee."

Reported: May 12, 1954; House Report 1591.

The Congress has historically provided for specific losses, such as the loss of an eye, a limb, and so forth, and the bill, H. R. 7851, which is pending on the Consent Calendar and which has been objected to each time it was considered, simply provides for the additional rate of $47 a month for those service-connected veterans who have suffered the loss of both buttocks. Sponsored by the gentleman from Louisiana [Mr. HÉBERT], it is a very inexpensive bill, and undoubtedly the cases concerned are few. I base this statement on the view of the Veterans' Administration that the "cost would be negligible." I insert at this point an explanation of this measure.

STATUTORY AWARD FOR LOSS OF BUTTOCKS, H. R. 7851

Title: To amend the veterans regulations to provide additional compensation for veterans having the service-incurred disability of loss or loss of use of both buttocks.

Mr. HÉBERT. Introduced and referred February 12, 1954.

Analysis: Provides for a stautory award of $47 per month in addition to other compensation for those service-connected veterans who have suffered the loss of both buttocks.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"The basic rates of compensation for service-connected disability under the act of March 20, 1933, and the veterans regulations issued pursuant thereto, are based generally on the theory that the amount of compensation payable should be proportionate to the degree of disability resulting from injury or disease. In making exceptions to this principle the Congress for many years restricted its special consideration in the form of additional allowances to cases of loss or loss of use of one or more of the extremities, blindness, and for helplessness or a bedridden condition requiring aid and attendance. The loss or loss of use of a creative organ was placed in this category in 1924 for World War I veterans and included in the law applicable to veterans of World War II and the Korean conflict by Public Law 427, 82d Congress, June 30, 1952.

"The authorizing of special rates of compensation in excess of those prescribed according to the degree of disability involves a policy which is primarily for determination by the Congress. But it must be recognized that in the absence of a medical or other sound basis for such special awards they create inequities and are difficult to justify. Singling out the loss or loss of use of both buttocks for a special allowance, as proposed by the bill, would be discriminatory and no doubt lead to requests for special consideration and additional allowances in cases of numerous serious disabilities in other categories, many of which may have equal, if not greater merit.

"It is believed that the basic principle that the amount of compensation payable should be proportionate to the degree of disability is sound, and that legislative proposals to make additional exceptions, if favorably acted upon, may contribute to adverse criticism and possible impairment of the compensation program.

"Statistics are not available to show the number of veterans who might qualify for the additional compensation as provided in the bill since it is not possible to identify those on the rolls whose disability meets the condition specified. Therefore, no estimate of cost is submitted, but it is believed the cost would be negligible."

Reported: May 12, 1954; House Report 1592.

There is pending before the Rules Committee H. R. 7918, sponsored by the gentleman from Arkansas [Mr. TRIMBLE], which was reported by the Committee on Veterans' Affairs on May 12, 1954. This measure seeks to increase the bed capacity of the Veterans' Administration hospital at Fayetteville, Ark., by 150 beds to assist in caring for the tubercular load. The cost of this measure, too, is small, being less than $4½ million, and, as the hearings disclosed, there is a real need for the construction of additional facilities. I insert at this point an explanation of the bill:

INCREASING BEDS AT VA HOSPITAL IN FAYETTEVILLE, ARK., H. R. 7918

Title: To provide for the enlargement of the Veterans' Administration facility at Fayetteville, Ark.

Mr. TRIMBLE. Introduced and referred February 16, 1954.

Analysis: Increases the bed capacity by 150 beds (total of 400) at the VA hospital in Fayetteville, Ark., to assist in meeting the tuberculosis load.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"The Veterans' Administration is operating a general medical and surgical hospital at Fayetteville, Ark., with a constructed bed capacity of 254. This is also the authorized capacity of the hospital which is predominantly general medical and surgical (228 beds) with the remainder consisting of 26 neuropsychiatric beds. No tuberculosis beds have been included in the bed complement. H. R. 7918, if enacted, would require the construction of an addition of 146 beds to the existing hospital for the purpose, as expressed by the bill of providing 'more adequate care and treatment for patients having tuberculosis and other serious disease.'

"Analysis of the statistical reports received from the station disclose that the number of eligible applicant veterans in an awaiting admission schedule status has averaged approximately 50 for the past 6 months. While this number is, of course, not a constant, it bears out the belief that the demand for beds at Fayetteville is not sufficient to justify the proposed construction of additional beds. As stated, there are no tuberculosis beds available at the hospital. However, the waiting list for the nearest tuberculosis hospital, which is located at Memphis, Tenn., has averaged only 16 for the past 6 months. In addition to the fact that the demand for beds appears too small to justify expansion, recruitment of sufficient professional personnel to staff additional beds at Fayetteville would be exceedingly difficult.

"The Veterans' Administration has an authorized program for 174 hospitals with a total constructed bed capacity of approximately 128,000 beds. This authorized construction program does not provide for additional beds at Fayetteville. Under present administrative procedures, should an expansion of facilities at Fayetteville become necessary, the Veterans' Administration would submit its recommendations to the Bureau of the Budget for review and coordination and recommendation to the President.

"On the assumption that it is the principal intent of the bill to provide facilities for the care of tuberculosis, it is estimated that the cost of providing 150 tuberculosis beds and additional necessary facilities at the Fayetteville, Ark., hospital based on present medical criteria would be $4,440,300. This figure includes construction costs, technical services, and initial portable supplies and equipment.

"In view of the present budgetary situation, and the desirability of handling such projects in accordance with systematic administrative planning, together with the circumstance that there does not appear to be any pressing necessity for the proposed expansion, I am unable to recommend favorable consideration of the bill by the committee."

Reported: May 12, 1954; House Report 1593.

Some few years after the close of the Civil War, the Federal Government adopted the policy of extending Federal aid to State or Territorial homes for the support of disabled soldiers and sailors of the United States. This occurred, of course, at a time when the veterans' hospitalization program had not been thought of and the care of veterans was largely a matter for the States. It has been shown that over the years, up to and including the present time, many State homes care for our needy and disabled veterans at a lower cost per capita cost than is possible for the Veterans' Administration. The present rate of contribution is $700 a year, not to exceed one-half of the cost incurred by the State home; thus in many instances the contribution will be less than $700. H. R. 8180, which was reported by the Committee on Veterans' Affairs on March 24, 1954, and which has been since that time pending before the Rules Committee despite repeated requests for consideration, simply makes permanent the statutory

authority for continuing the $700 contribution to State homes. This legislation is necessary to prevent the reduction of the rate to $500 on June 30, 1956. I insert at this point an analysis of this proposal:

FEDERAL AID TO STATE HOMES, H. R. 8180

Title: To increase the amount of Federal aid to State or Territorial homes for the support of disabled soldiers, sailors, and airmen of the United States.

Mrs. ROGERS of Massachusetts (by request). Introduced and referred March 2, 1954.

Analysis: Increases from $500 to $700 per year the Federal aid to States for the support of veterans domiciled or hospitalized in State homes who are eligible for such care in Veterans' Administration hospitals or domiciliaries. At the present time the payment of the $500 rate is restricted to June 30, 1956. This bill, in addition to raising the rate from $500 to $700, would remove this restrictive date of June 30, 1956, thus establishing $700 as a permanent rate for Federal aid.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"There are 31 State homes located in 27 different States to which the Veterans' Administration is currently making contributions for maintenance of veterans who have been determined to be eligible for care in a Veterans' Administration hospital or home. The basic law limits the amount that any State may be paid to a sum not exceeding one-half the cost of maintenance of each veteran, and under this limitation 14 of the State homes concerned would not be able to receive the full $700 contribution since the cost of maintenance in these homes, based on fiscal year 1953 reported costs, is less than $1,400 per person. All the other State homes reported maintenance costs in excess of $1,400 per person for fiscal year 1953. * * *

"During the fiscal year 1953, payments of Federal aid were made to the States for a daily average of approximately 8,090 members present in State homes. Based on the reported per capita cost, the total cost for maintaining this daily average present was $13,365,961. The total amount of Federal aid paid by the Veterans' Administration for this number of members was $4,068,170, or 30 percent of the total cost. Based on the average number present during the fiscal year 1953, payments at the rate of $700 per annum would result in a total cost to the Veterans' Administration of approximately $5,225,630, an increase of $1,157,460, or 28 percent. This would result in the Veterans' Administration assuming 39 percent of the total cost of maintaining eligible veterans in State homes and the States paying 61 percent of the cost.

"Since fiscal year 1945, the average member load has shown a sustained upward swing, influenced in part by replacement programs at State homes undertaken to improve and enlarge existing bed capacities; general economic conditions which impose greater financial burdens on those in the lower income groups and advancing age of World War I beneficiaries who have developed disabling infirmities. In the Veterans' Administration estimates for appropriations for fiscal year 1955 the average patient load in State homes was established at 8,700 members. This projection was based upon current bed occupancy ratios, and anticipated increases in the member load. Therefore, should the rate of Federal aid be increased to $700, the cost to the Veterans' Administration might well be substantially higher than the estimated cost based on the 1953 experience. Should all homes be eligible for payments at the $700 rate, the cost to the Veterans' Administration would be approximately $6,090,000 for fiscal year 1955. As stated above, however, based on the 1953 experience, 14 of the homes would not be able to receive aid at the full $700 rate because their annual reported per capita costs were less than $1,400. It is not known how many of the homes because of increasing per capita costs would be eligible for the full amount of assistance at the $700 rate in fiscal year 1955.

"For the fiscal year 1948 (the year in which the rate was raised to $500 per annum), the per diem cost of providing domiciliary care for a veteran in a Veterans' Administration center was $2.64. For the fiscal year 1953, the cost was $3.61, an increase of approximately 37 percent. It appears that the increase proposed by the subject bill compares with the increased cost experienced by the Veterans' Administration."

Reported: March 24, 1954; House Report 1415.

As Members of the House know, the law providing automobiles for amputees is one which has always been very close to my heart. I think that the operations under this act and the results obtained in the rehabilitation field fully justify the efforts, which those of us interested in this field, exerted to have this provision written into law. It has done untold good for the veterans of World War II and Korea by restoring their morale and making them able to earn a living, and getting them to and from work in a much more comfortable fashion than would otherwise have been possible because of their physical disabilities. It has also brought an added revenue to the State and Federal Governments in taxes on higher numbers of automobiles. The bill, H. R. 8330, which was reported on May 12, 1954, and which has been pending in the Rules Committee since that time, simply extends for 2 years the time for filing applications under this act and gives veterans who have decided to remain in the service the right to obtain the payment of $1,600 toward the purchase of a specially equipped automobile. In addition, it would include World War I veterans. At this point I insert in the RECORD an explanation of the measure:

AUTOMOBILES FOR AMPUTEES, H. R. 8330

Title: To extend the time for filing application by certain disabled veterans for payment on the purchase price of an automobile or other conveyance and to authorize assistance in acquiring automobiles or other conveyances to certain disabled persons who have not been separated from the active service.

Mrs. ROGERS of Massachusetts. Introduced and referred March 10, 1954.

Analysis: Provides automobiles for World War I veterans on a par with World War II and Korea where they have lost or lost the use of one or both hands, or who are blind. It also extends by 2 years the time applicable for application for this benefit and makes the authority to apply to veterans who have decided to remain in the service.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"The 3-year period for filing application which was provided by Public Law 187 had the effect of granting, as to previously discharged veterans of World War II who could qualify on the basis of loss or loss of use of one or both legs at or above the ankle, as required by the prior laws, a period of 3 years in addition to such periods after discharge as had been available under the earlier laws. This covered a relatively small number, since the great majority of the World War II group qualifying on the basis of leg disability had already applied for and received this assistance and could not receive it a second time under the new law. As to all others, including World War II veterans claiming on the basis of disability of an upper extremity, the liberalized definition of loss or loss of use of a lower extremity, or impairment of vision, as well as veterans of the Korean conflict period claiming on the basis of any of the three classes of disabilities, the 3-year period prescribed by Public Law 187 represented the total time made available for this purpose.

"Since this program of rehabilitative assistance had been geared to providing aid to severely disabled veterans in adapting themselves to their special problems in civilian life early after discharge from the service period in which the disability was incurred, it was apparently the determination of the Congress in enacting Public Law 187 that 3 years provided a liberal period within which the veteran could and should avail himself of this assistance. It would appear that in any typical case this would afford ample time. There will arise a few unusual situations in which the service-incurred disability will not have progressed to the point of amputation or loss of use or the required impairment of vision within 3 years from the date of enactment of Public Law 187 or 3 years from the date of separation from service, as the case may be. This type of situation can also occur even though the period is extended as proposed. The question of policy as to whether the existing time limit should be extended for any period is, of course, one for determination by the Congress in the light of the basic purposes of this program.

"The proposed section 6 would represent a sharp departure from the underlying objective of the existing and prior legislative enactments in this field. One reason for the several extensions of the original 1-year program for the World War II group was to keep it open until a few who had remained in military hospitals could be discharged and thus acquire eligibility as veterans. The subject proposal would enable the group affected, however limited in number, to obtain for themselves a type of gratuity which was established to meet the rehabilitative and readjustment needs of those who have left the service. Some of the small number involved might be members of the Regular Establishment, following military service as a career, and might not be retired or separated until after the lapse of several years. All beneficiaries under this section would be accorded the proposed payment of $1,600 on the purchase price of a conveyance in addition to the full military pay and allowances which they receive while in the active service.

"These same persons are not in a position of being deprived under the present law of their ultimate right to receive this benefit. Likewise those who may have been separated shortly after the occurrence of the required disability, persons who are retained on active duty notwithstanding the disability still have 3 years after their discharge or separation date within which to apply as veterans under the law as it now stands.

"It may be added that enactment of this amendment could be invoked as a precedent for extending some other types of benefits administered by the Veterans' Administration in behalf of veterans to persons who have remained continuously in the service, including members of the Regular Establishment. This proposal could therefore be costly as a precedent, as well as being directly inconsistent with the traditional policy of the Congress.

"The Veterans' Administration is not possessed of data from which to determine the additional number of persons who could and would avail themselves of the right to apply for this benefit during the proposed extended period, or the number who might be covered by the proposed inclusion of certain persons in the active service. Accordingly, no

estimate of the cost of the proposal, if enacted, can be presented. * * *

* * * * *

"* * * It is estimated that approximately 5,900 veterans of World War I might be entitled to receive benefits under this proposal during the first year following its enactment by reason of receiving compensation benefits from the Veterans' Administration for the specified disabilities. The benefit cost for this estimated group at $1,600 per vehicle, would approximate $9,440,000. This estimate is somewhat incomplete in that it does not include such additional eligible World War I veterans who are not drawing benefits from the Veterans' Administration because they are on the retirement rolls of the service departments. Further, the requirements concerning the impairment of vision are such that a comprehensive estimate on that disability class cannot be made without an extensive study of individual records but it is believed that the foregoing estimate includes most of those who would qualify by reason of visual disability."

Reported: May 12, 1954; House Report 1600.

The veterans' laws today provide for a rebuttable presumption of 1 year for most diseases which the veteran may incur after his discharge from the service. This means, for example, that if the veteran developed a cancer within 1 year after discharge, it is presumed to have been incurred in the service unless clear and convincing evidence exists to the contrary. Medical science has, of course, made great strides in recent years, but there are many diseases the incidence of which we know little or nothing, and thus the Congress has for many years resolved any doubt in favor of the veteran. The present law provides for a 3-year presumptive period for tuberculosis, a restricted 2-year presumptive period for phychoses, and a 2-year presumption for multiple sclerosis. The bill, H. R. 8789, would provide greater uniformity in a number of diseases by providing a flat 3-year presumption for arthritis, the psychoses, and multiple sclerosis. No estimate of cost can be furnished on this bill by the Veterans' Administration, and it, too, is pending before the Committee on Rules. H. R. 9169, which provides for the same type of presumption, but which is limited to psychoses and multiple sclerosis, is also pending before the Rules Committee, and I insert at this point an explanation of these two proposals:

THREE-YEAR PRESUMPTION FOR ARTHRITIS, PSYCHOSES, AND MULTIPLE SCLEROSIS—H. R. 8789

Title: To amend the veterans regulations to provide that arthritis, psychoses, or multiple sclerosis developing a 10 percent or more degree of disability within 3 years after separation from active service shall be presumed to be service connected.

Mr. RADWAN; introduced and referred April 12, 1954.

Analysis: Grants a 3-year rebuttable presumption of service connection for veterans who developed arthritis (now 1 year), psychosis (now 1 year for compensation and pension and 1 additional year for priority admission to hospitals), and multiple sclerosis (now 2 years).

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"Insofar as H. R. 8789 relates to the disease of psychosis, it is similar to H. R. 320, 82d Congress, as passed by the House of Representatives, May 1, 1951. As you are aware, H. R. 320 was amended in the Senate by the Committee on Finance to provide a conclusive presumption of service connection for an active psychosis developing within 2 years from the date of separation from active service in World War II, but only for the purposes of hospital and medical treatment, including outpatient treatment, authorized under laws administered by the Veterans' Administration. The bill was passed by the Congress in this form and approved as Public Law 239, 82d Congress, October 30, 1951. Under this law, it is not necessary that the veteran have 90 days' service for the presumption to attach, and willful misconduct is not a bar.

"There is definite medical substantiation that the time of onset of a psychiatric disorder, whether a psychosis or a psychoneurosis, is not the only criterion of the cause or causes. Determination of causation, or etiology, of a psychosis in an individual is to be gained by an overall psychiatric evaluation of that particular person. Psychosis may result from any one of a number of factors, such as an inherent or hereditary defect. H. R. 8789, however, would establish a statutory presumption, which grants a presumption of fact, of uniform application, that manifestation of a psychosis at any time up to 3 years after separation is necessarily related to the facts or circumstances of wartime military service, or service on or after June 27, 1950.

"With respect to active pulmonary tuberculosis, the presumptive period was increased from 1 to 3 years by Public Law 573, 81st Congress, June 23, 1950, and for all other types of active tuberculosis it was similarly extended by Public Law 241, 83d Congress, August 8, 1953. The presumptive period provided for the disease of multiple sclerosis was increased from 1 to 2 years by Public Law 174, 82d Congress, October 12, 1951.

"H. R. 3205, 82d Congress, as passed by the House of Representatives, June 20, 1951, proposed to establish a 3-year presumptive period for the disease of multiple sclerosis. This was amended in the Senate by the Committee on Finance, reducing such presumptive period to 2 years. The House of Representatives accepted the amendment and the bill was enacted as Public Law 174, 82d Congress.

"Because of the onset and course of the various types of the disease of arthritis, it is believed that an extension of the 1-year presumptive period would result in the granting of service connection in many cases that may well have their origin in some other intercurrent injury or disease, but which fact is not capable of being established by the required evidence.

"The present regulatory presumptive period does not preclude the granting of direct service connection for arthritis or psychoses when diagnosed more than 1 year after separation from service or for multiple sclerosis more than 2 years thereafter when the evidence of record is deemed adequate to warrant a finding of service connection.

"The 1-year presumptive period for the service connection of a chronic disease, previously covered by regulation based upon sound medical judgment, was in 1933 incorporated in veterans regulations promulgated under Public No. 2, 73d Congress. In 1948 Congress specified certain diseases which, among others, should be deemed chronic, but did not extend the uniform 1-year presumptive period (Public Law 748, 80th Cong.). It was not until 1950 that an exception to the general rule was made in the case of active pulmonary tuberculosis (Public Law 573, 81st Cong.), and in 1951 a further presumption was authorized in the case of multiple sclerosis (Public Law 174, 82d Cong.). As previously indicated, in 1951 the Congress also extended the presumptive period for an active psychosis for the limited purposes of hospital and medical treatment, and in 1953 extended the presumptive period for all other types of active tuberculosis to 3 years. The committee will, no doubt, wish to give careful consideration to the problem of whether the proposed extensions of the presumptive periods for certain diseases will be urged as a precedent for extending the presumptive period for many other chronic diseases.

"In addition to granting service connection for disability and death compensation purposes in a substantial number of cases, the bill, if enacted, would confer the same priority right in such cases to hospitalization by the Veterans' Administration which is now afforded by law to veterans having directly service-connected conditions. Under existing law, the Veterans' Administration is required to furnish hospital care to eligible veterans needing such care for service-connected conditions, and this may be provided in hospitals under the direct control of the Veterans' Administration, through bed allocations in other Government hospitals, or in appropriate cases by contract with State, municipal, or private institutions. By contrast, veterans suffering from non-service-connected disabilities may be furnished hospital care by the Veterans' Administration only if beds are available in Veterans' Administration or other Federal Government hospitals. Further, admission of non-service-connected cases is generally conditioned on the inability of the applicant to defray the cost of hospitalization as established by an affidavit procedure. The bill would also have the effect of providing outpatient treatment for the group affected because of the service-connected status which would be granted to them under the bill. Existing law and regulations generally limit outpatient treatment to those requiring such treatment for service-connected disabilities.

"It is not possible to furnish an estimate of the cost of the bill, if enacted, in view of the many unknown and variable factors. However, it is apparent that the cost would be very substantial. * * *"

Advice has been received from the Bureau of the Budget that the enactment of the proposed legislation would not be in accord with the program of the President.

Reported May 12, 1954—House Report 1596.

THREE-YEAR PRESUMPTION FOR PSYCHOSES, AND MULTIPLE SCLEROSIS, H. R. 9169

Title: To amend the Veterans Regulations to provide that psychoses, or multiple sclerosis developing a 10 percent or more degree of disability within 3 years after separation from active service shall be presumed to be service connected.

Mr. RADWAN. Introduced and referred May 17, 1954.

Analysis: Grants a 3-year rebuttable presumption of service connection for veterans who develop a psychosis (now 1 year for compensation and pension and 1 additional year for priority admission to hospitals), and multiple sclerosis (now 2 years).

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"Insofar as * * * relates to the disease of psychosis, it is similar to H. R. 320, 82d Congress, as passed by the House of Representatives, May 1, 1951. As you are aware, H. R. 320 was amended in the Senate by the Committee on Finance to provide a conclusive presumption of service connection for an active psychosis developing within 2 years from the date of separation from active service in World War II, but only for the purposes of hospital and medical treatment, including outpatient treatment, authorized under laws administered by the Veterans' Administration. The bill was passed by the Congress in this form and approved as Public Law 239, 82d Congress, October 30, 1951. Under this law it is not necessary that the veteran have 90 days' service for the presumption to attach and willful misconduct is not a bar.

"There is definite medical substantiation that the time of onset of a psychiatric disorder, whether a psychosis or a psychoneurosis, is not the only criterion of the cause

or causes. Determination of causation, or etiology, of a psychosis in an individual is to be gained by an overall psychiatric evaluation of that particular person. Psychosis may result from any one of a number of factors, such as an inherent or hereditary defect. H. R. 8789, however, would establish a statutory presumption, which grants a presumption of fact, of uniform application, that manifestation of a psychosis at any time up to 3 years after separation is necessarily related to the facts or circumstances of wartime military service, or service on or after June 27, 1950.

"With respect to active pulmonary tuberculosis, the presumptive period was increased from 1 to 3 years by Public Law 573, 81st Congress, June 23, 1950, and for all other types of active tuberculosis it was similarly extended by Public Law 241, 83d Congress, August 8, 1953. The presumptive period provided for the disease of multiple sclerosis was increased from 1 to 2 years by Public Law 174, 82d Congress, October 12, 1951.

"H. R. 3205, 82d Congress, as passed by the House of Representatives, June 20, 1951, proposed to establish a 3-year presumptive period for the disease of multiple sclerosis. This was amended in the Senate by the Committee on Finance, reducing such presumptive period to 2 years. The House of Representatives accepted the amendment and the bill was enacted as Public Law 174, 82d Congress.

"The 1-year presumptive period for the service connection of a chronic disease, previously covered by regulation based upon sound medical judgment, was in 1933 incorporated in Veterans Regulations promulgated under Public No. 2, 73d Congress. In 1948 Congress specified certain diseases which, among others, should be deemed chronic, but did not extend the uniform 1-year presumptive period (Public Law 748, 80th Cong.). It was not until 1950 that an exception to the general rule was made in the case of active pulmonary tuberculosis (Public Law 573, 81st Cong.), and in 1951 a further presumption was authorized in the case of multiple sclerosis (Public Law 174, 82d Cong.). As previously indicated, in 1951 the Congress also extended the presumptive period for an active psychosis for the limited purposes of hospital and medical treatment, and in 1953 extended the presumptive period for all other types of active tuberculosis to 3 years. The committee will, no doubt, wish to give careful consideration to the problem of whether the proposed extensions of the presumptive periods for certain diseases will be urged as a precedent for extending the presumptive period for many other chronic diseases.

"In addition to granting service connection for disability and death compensation purposes in a substantial number of cases, the bill, if enacted, would confer the same priority right in such cases to hospitalization by the Veterans' Administration which is now afforded by law to veterans having directly service-connected conditions. Under existing law, the Veterans' Administration is required to furnish hospital care to eligible veterans needing such care for service-connected conditions and this may be provided in hospitals under the direct control of the Veterans' Administration, through bed allocations in other Government hospitals, or in appropriate cases by contract with State, municipal, or private institutions. By contrast, veterans suffering from non-service-connected disabilities may be furnished hospital care by the Veterans' Administration only if beds are available in Veterans' Administration or other Federal Government hospitals. Further, admission of non-service-connected cases is generally conditioned on the inability of the applicant to defray the cost of hospitalization as established by an affidavit procedure. The bill would also have the effect of providing outpatient treatment for the group affected because of the service-connected status which would be granted to them under the bill. Existing law and regulations generally limit outpatient treatment to those requiring such treatment for service-connected disabilities.

"It is not possible to furnish an estimate of the cost of the bill, if enacted, in view of the many unknown and variable factors. However, it is apparent that the cost would be very substantial."

Advice has been received from the Bureau of the Budget that the enactment of the proposed legislation would not be in accord with the program of the President.

Reported: May 20, 1954; House Report 1664.

H. R. 8900 increases the pension for the holders of the Congressional Medal of Honor from $10 to $100 per month. Today a veteran who has won the Congressional Medal of Honor by outstanding or unusual act of heroism is entitled upon reaching age 65 to a $10-per-month pension in addition to any other benefit to which he may be entitled. The Committee on Veterans' Affairs believes that the holder of one of these medals has performed such outstanding service that it would be well to consider increasing the amount of pension to the figure provided in the bill. At the present time there are only 395 living holders of the Congressional Medal of Honor. The cost of the bill therefore would be slight. I am hopeful that this measure may be passed when the Consent Calendar is called on next Monday. At this point I insert an explanation of the bill:

INCREASED PENSION FOR HOLDERS OF MEDAL OF HONOR, H. R. 8900

Title: To increase the rate of special pension payable to certain persons awarded the Medal of Honor.

Mr. RADWAN. Introduced and referred April 27, 1954.

Analysis: Today a holder of the Congressional Medal of Honor who reaches the age of 65 years is entitled to a special pension of $10 a month in addition to any other compensation or pension to which he may be entitled. This bill increases the rate to $100. At the present time there are 395 living holders of the Congressional Medal of Honor.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"H. R. 8900, if enacted, would increase from $10 to $100 monthly the rate of such special pension for any person whose name has been entered on the Army and Navy Medal of Honor roll. The increase would be effective from the 1st day of the 2d calendar month after enactment of the bill.

"According to Senate Report No. 240 on H. R. 4701, 64th Congress, which bill became the act of April 27, 1916, the provision for an award of $10 monthly to holders of a Medal of Honor who had attained the age of 65 years, 'recognizes and rewards in a modest way startling deeds of individual daring and audacious heroism in the face of mortal danger when war is on, deeds that give soul to an army and character to a country.' The policy of the measure as stated in the Senate report is 'to signalize appreciation of that gallant, intrepid, indomitable spirit in war that becomes the best bond to long-continued future peace.' In debates on the floor of the House on H. R. 4701, an amendment to increase the rate of $18 monthly was rejected after a statement was made that any increased amount would appear to be a matter of paying pension instead of a matter of honor (53 CONGRESSIONAL RECORD, pt. III, p. 2349). In this connection it is significant to note that H. R. 8900 would increase tenfold the special pension incident to the award of the Medal of Honor.

"As previously noted, the sole responsibility of the Veterans' Administration in connection with the special pension currently authorized is to arrange for its payment to persons certified as entitled thereto by the military departments. H. R. 8900 would not alter this function."

(DEPARTMENT OF DEFENSE)

"The Department of the Army considers the special pension now authorized for holders of the Medal of Honor as being an additional recognition and not as a means of ascribing a monetary value to an act of heroism, and for that reason feels that the special pension must be of such modest amount that there can be no other interpretation.

"The Department of the Army on behalf of the Department of Defense, therefore, recommends that H. R. 8900 not be enacted.

"It would be impossible to determine the total cost of this bill if enacted, although it is known that at present there are approximately 395 holders of the Medal of Honor still living.

"This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense."

Reported: May 12, 1954; House Report 1598.

The Korean GI bill of rights gives veterans of that war until August 20, 1954, or 2 years after discharge, whichever is the later, to initiate a course of education or training authorized by that act. This is in contrast to the World War II provision which granted a 4-year period in which to start a course of education. The bill, H. R. 9395, sponsored by the gentleman from Illinois [Mr. SPRINGER], chairman of our Subcommittee on Education and Training, would place the Korean veteran on the same basis as the World War II man by giving him 4 years after discharge to start his course of education or training. In addition, it grants trainees under Public Law 16—the service-connected group—4 additional years to complete their courses if they have been prevented from doing so by reason of disability or by the necessity of correcting a type of discharge. I insert at this point an explanation of this bill, and I am hopeful that when the Consent Calendar is called next Monday, this bill or a similar one will be passed at that time, either on the Consent Calendar or by suspension of the rules.

EXTENDING TIME FOR INITIATING COURSES UNDER PUBLIC LAW 550, H. R. 9395

Title: To amend the laws granting education and training benefits to certain veterans to extend the period during which such benefits may be offered.

Mr. SPRINGER. Introduced and referred June 1, 1954.

Analysis: Extends time for starting courses of education and training under Public Law 550 (Korean GI bill of rights) by making initiation date 4 (now 2) years after discharge and 9 (now 7) years after discharge for completion of course. Grants trainees under Public Law 16 (service connected) who have been prevented from initiating or completing training by reason of disability or by correction of type of discharge, 4 additional years to complete course.

DIGEST OF REPORT (VETERANS' ADMINISTRATION)

"As will be recalled, the Veterans' Readjustment Assistance Act of 1952, which pro-

vided benefits for veterans of the Korean service period in the same general fields in which comparable benefits had previously been granted to veterans of World War II by the Servicemen's Readjustment Act of 1944, received extensive consideration prior to its enactment. Some of the provisions included were novel and were designed to avoid certain difficulties which had become manifest under the Servicemen's Readjustment Act. Other provisions were adopted which were substantially identical with the comparable provisions of the earlier act and confirmatory of the same underlying principles. * * *

"The temporary character of this type of benefit is obviously a recognition of the fact that readjustment to civilian life should be accomplished by the veterans within a reasonably short time following service, and that the time element is an essential ingredient of the readjustment principle.

"Sections 212 and 213 of the Veterans' Readjustment Assistance Act, however, are more than a reaffirmation of the temporary nature of the readjustment benefit. They designedly adopted the supplementary concept of the 1944 enactment that the foregoing readjustment principle needs to be implemented by a statutory requirement that the veteran must make his educational plans, complete all necessary arrangements, and actually commence the pursuit of his program within a fixed period of time. All of this is implicit in the term "initiate," as interpreted by the Veterans' Administration in connection with Servicemen's Readjustment Act, and of which the Congress was fully apprised when it selected such term for incorporation in the delimiting date requirements of the Veterans' Readjustment Assistance Act.

"To be consistent with this concept, and with the basic readjustment purpose, the delimiting period for initiating a program cannot be so short as to leave the veteran insufficient time for the deliberation needed for a wise choice of his objective and to make the necessary arrangements for enrolling in the selected educational institution or training establishment. On the other hand, if the prescribed period is unduly lengthened, the readjustment purpose will tend to become obscured, and procrastination encouraged, most probably to the veteran's own detriment.

"The instant bill does not appear to be designed to change the aforementioned principle, but would allow a more extensive period than that allowed by existing law during which the veteran could commence his program. It, therefore, poses the question of whether the 2-year delimiting initiation period of existing law is reasonable and adequate or whether a 4-year period (somewhat comparable to the requirement applicable to the World War II education and training program) should be allowed. * * *

"* * * Section 2 of the bill is identical except for technical changes not here pertinent to H. R. 7210, 83d Congress, 'a bill to extend the time during which vocational rehabilitation training may be afforded under Public Law 16, 78th Congress, as amended and extended, to certain disabled veterans who have been unable to pursue such training because of long illnesses or because of other reasons beyond their control.'

"Attention is invited, however, to the fact that in the mentioned report on H. R. 7210 question was raised whether the language of the proposed exceptions might possibly be open to an argument that even though the disabling condition ceases to exist at a date when adequate time remained for the pursuit and completion of a suitable course of vocational rehabilitation training, an extension of the existing time limitation should be granted. It was suggested that to guard against such a contention appropriate language be included to bar any extension of the present time limitations in the case of a person having the last 5 years of the basic 9-year period available to commence and pursue training.

"Further, it was also pointed out that since a terminal date for pursuing vocational rehabilitation training under the Public Law 894 extension has not been set, and since it is impossible at this time to predict when such a termination date will be set, persons whose eligibility is based upon service subsequent to June 27, 1950, will have staggered amounts of time in which to pursue and complete vocational rehabilitation training. The actual amount of time in an individual case would, of course, depend upon date of discharge. * * *

"No reliable estimate can be made of the cost which would be attributable to the enactment of this bill. Undoubtedly there would be additional cost for direct benefits in an extension of either the Public Law 550 education and training program or the Public Law 16 vocational rehabilitation training program, since persons who would not otherwise take advantage of these benefit programs could be expected to do so during the extended period. Moreover, there would be some ultimate additional expense in administrative costs resulting from the longer period in which both programs would be operative.

"The Veterans' Administration has been advised by the Bureau of the Budget that it recommends against any extension of either the time limitations of title II of the Veterans' Readjustment Assistance Act or of the vocational rehabilitation training program."

Reported: June 2, 1954; House Report 1704.

I submit, Mr. Speaker, that the program which I have outlined to the House at this time shows conclusively that the Committee on Veterans' Affairs has been ably and conscientiously performing its functions, and that any failure to enact legislation must be assumed by other committees or individuals in the House. Time yet remains for the enactment of many, if not all, of the measures which I have referred to above, but time is of the essence, and it is running out. I feel that, unless we take prompt action, the country will be justified in the conclusion that we have not treated the veterans of our wars in the fashion and manner which they deserve.

I see the gentleman from New York [Mr. RADWAN], the author of the bill, is here, and I yield to him such time as he may desire. Mr. Speaker, I say with all the strength in my being that it is an outrage to the veterans that they have had no practical consideration of their legislation this year.

Mr. RADWAN. Mr. Speaker, I thank the gentlewoman from Massachusetts for this opportunity and I want to say, Mr. Speaker, that I am happy to be a Member of the House Committee on Veterans' Affairs of which the gentlewoman from Massachusetts is chairman.

Mrs. ROGERS of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. RADWAN. I yield to the gentlewoman from Massachusetts.

Mrs. ROGERS of Massachusetts. I would like to say that we have no finer, no more conscientious, no more cooperative Member than the gentleman from New York. He is extremely kind, extremely able, and always has the interest of the veterans at heart.

Mr. RADWAN. I thank the gentlewoman from Massachusetts.

For me, Mr. Speaker, it has been an honor to serve as chairman of the Subcommittee on Compensation and Pensions, and in that capacity I have tried to discharge my obligations to the veterans of this country as well as to the public at large. Our subcommittee worked for a considerable period of time, spent many days holding hearings on various bills which were referred to our subcommittee, all dealing with veterans' compensation and veterans' pensions. As the result of the hearings and to carry out a mandate of that testimony, testimony wherein the various representatives of all the organizations appeared before us and testified on various bills, we produced through our subcommittee an omnibus bill known as H. R. 9020. I think, Mr. Speaker, it is a very good bill. It was unanimously recommended by our subcommittee. It was unanimously recommended by the full Committee on Veterans' Affairs, but unfortunately it has been tied up for some time now in the Committee on Rules.

Some time ago I introduced a resolution in order to precede a discharge petition. I understand that Thursday will be the first opportunity I will have to file a discharge petition on H. R. 9020. I want to announce at this time that on Thursday of this week I shall file such a petition and I invite the membership of this House to sign that petition in order that H. R. 9020 may have its day in this House.

Mrs. ROGERS of Massachusetts. May I remind the gentleman that the petition will have to be signed extremely quickly. Really the signatures ought to go on in one day if we are going to be able to get the petition up for action in time before adjournment when that apparently is to take place. I know that the gentleman hopes that a rule will be granted actually before the petition is ready; is that not true?

Mr. RADWAN. Yes. I thank the gentlewoman from Massachusetts for her observation. Time is of the essence. I want to say that we have been very patient. I think in all fairness to the entire membership of this House a rule ought to be granted on H. R. 9020. It is really an unfortunate circumstance that I myself as a member of the committee and as chairman of the subcommittee am put in the position of having to file a discharge petition. It is an unfair and an unfortunate circumstance that confronts all of the membership of this House, although I still have hopes that a rule will be granted on H. R. 9020 before the membership of this House is subjected to the discharge petition which I shall file on Thursday of this week.

Mr. RADWAN. Mr. Speaker, I ask unanimous consent to revise and extend my remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the RECORD, or to revise and extend remarks, was granted to:

Mr. CARLYLE and to include extraneous matter.

Mr. THORNBERRY to revise and extend the remarks he made in the Committee of the Whole today and include extraneous matter.

Mr. SMITH of Virginia, the remarks he made on the rule and to include a telegram from the American Medical Association.

Mr. PATTEN.

Mr. LANE and to include extraneous matter.

Mr. HAGEN of Minnesota and to include extraneous matter.

Mr. DINGELL and to include extraneous matter.

Mr. CELLER in two instances and to include extraneous matter.

Mr. SIEMINSKI.

Mr. RABAUT and to include extraneous matter.

Miss THOMPSON of Michigan.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 190. An act to establish a basic administrative workweek and pay periods of two administrative workweeks for postmasters, officers, and employees of the postal field service, and for other purposes; to the Committee on Post Office and Civil Service.

S. 3028. An act to require the Postmaster General to reimburse postmasters of discontinued post offices for equipment owned by the postmaster; to the Committee on Post Office and Civil Service.

S. 3655. An act to provide that the Metropolitan Police force shall keep arrest books which are open to public inspection; to the Committee on the District of Columbia.

ENROLLED BILLS SIGNED

Mr. LECOMPTE, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 5158. An act for the relief of Sgt. Welch Sanders; and

H. R. 5433. Ar act for the relief of the estates of Opal Perkins, and Kenneth Ross, deceased.

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 3378. An act to revise the Organic Act of the Virgin Islands of the United States.

BILLS AND JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. LECOMPTE, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, bills and a joint resolution of the House of the following titles:

H. R. 733. An act for the relief of Hildegard H. Nelson;

H. R. 734. An act for the relief of Mihai Handrabura;

H. R. 944. An act for the relief of Mr. and Mrs. Zygmunt Sowinski;

H. R. 1115. An act for the relief of Mrs. Suhula Adata;

H. R. 1762. An act for the relief of Sugako Nakai;

H. R. 2899. An act for the relief of Igor Shwabe;

H. R. 3333. An act for the relief of Julia N. Emmanuel;

H. R. 3624. An act for the relief of Peter M. Leaming;

H. R. 4496. An act to authorize and direct the conveyance of certain lands to the Board of Education of Prince Georges County, Upper Marlboro, Md., so as to permit the construction of public educational facilities urgently required as a result of increased defense and other essential Federal activities in the District of Columbia and it environs;

H. R. 6342. An act to amend the Public Buildings Act of 1949 to authorize the Administrator of General Services to acquire title to real property and to provide for the construction of certain public buildings thereon by executing purchase contracts; to extend the authority of the Postmaster General to lease quarters for post-office purposes; and for other purposes;

H. R. 6422. An act to authorize the Secretary of the Army to convey to the Government's grantors certain lands erroneously conveyed by them to the United States;

H. R. 6650. An act for the relief of Joseph Gerny;

H. R. 6998. An act for the relief of Erna White;

H. R. 7125. An act to amend the Federal Food, Drug, and Cosmetic Act with respect to residues of pesticide chemicals in or on raw agricultural commodities;

H. R. 7132. An act to exempt from taxation certain property of the Veterans of Foreign Wars of the United States in the District of Columbia;

H. R. 7158. An act authorizing the United States Government to reconvey certain lands to S. J. Carver;

H. R. 7468. An act to amend certain provisions of part II of the Interstate Commerce Act so as to authorize regulation, for purposes of safety and protection of the public, of certain motor-carrier transportation between points in foreign countries, insofar as such transportation takes place within the United States;

H. R. 7500. An act for the relief of Kurt Forsell;

H. R. 7802. An act for the relief of Hanna Werner and her child, Hanna Elizabeth Werner;

H. R. 8247. An act to provide for the restoration and maintenance of the U. S. S. *Constitution* and to authorize the disposition of the U. S. S. *Constellation*, U. S. S. *Hartford*, U. S. S. *Olympia*, and U. S. S. *Oregon*, and for other purposes;

H. R. 8692. An act to permit the payment of certain trust accounts to the beneficiary on the death of the trustee by savings and loan, and similar associations in the District of Columbia;

H. R. 8973. An act to amend paragraph 31 of section 7 of the act entitled "An act making appropriations to provide for the government of the District of Columbia for the fiscal year ending June 30, 1903, and for other purposes," approved July 1, 1902, as amended;

H. R. 8974. An act to permit investment of funds of insurance companies organized within the District of Columbia in obligations of the International Bank for Reconstruction and Development;

H. R. 9143. An act to repeal the provisions of section 16 of the Federal Reserve Act which prohibits a Federal Reserve bank from paying out notes of another Federal Reserve bank;

H. R. 9561. An act to correct typographical errors in Public Law 368, 83d Congress; and

H. J. Res. 459. Joint resolution to designate the lake to be formed by the completion of the Texarkana Dam and Reservoir on Sulphur River, about 9 miles southwest from Texarkana, Tex., as Lake Texarkana.

ADJOURNMENT

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

The motion was agreed to; accordingly (at 7 o'clock and 3 minutes p. m.) the House adjourned until tomorrow, Wednesday, July 14, 1954, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

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

1727. A communication from the President of the United States, transmitting estimates of appropriation for the fiscal year 1955, in the amount of $3,438,549,805 to carry out the purposes of the Mutual Security Act of 1954 (H. Doc. No. 474); to the Committee on Appropriations and ordered to be printed.

1728. A letter from the Assistant Secretary of the Interior, relative to an adequate soil survey and land classification of the lands to be benefited by Avondale project, Idaho, having been completed as part of the investigation required in the formation of a definite plan for project development, pursuant to Public Law 172, 83d Congress; to the Committee on Appropriations.

1729. A letter from the Assistant Secretary of the Interior, transmitting a proposed award of a concession contract to Signal Mountain Lodge, a partnership, which will, when executed by the Director of the National Park Service on behalf of the Government, authorize the furnishing of overnight cabin accommodations and related facilities within the Grand Teton National Park, Wyo., for a period of 10 years from January 1, 1954, pursuant to the act of July 31, 1953 (67 Stat. 271); to the Committee on Interior and Insular Affairs.

1730. A letter from the Assistant Secretary of the Interior, transmitting a proposed amendment to concession permit No. I-42np-191, issued to the Mount Rushmore National Memorial Society of Black Hills, a nonprofit organization, organized and using its funds for the development of Mount Rushmore National Memorial; to the Committee on Interior and Insular Affairs.

1731. A letter from the Assistant Secretary of the Interior, transmitting a proposed award of a concession contract to Jack Woods Cottages, Inc., which will, when finally executed by the regional director, region No. 2, National Park Service, on behalf of the Government, authorize the company to provide cabin accommodations and related services in Rocky Mountain National Park, Colo., for a period of 5 years from January 1, 1954, pursuant to the act of July 31, 1953 (67 Stat. 271); to the Committee on Interior and Insular Affairs.

1732. A letter from the Assistant Secretary of the Interior, transmitting a proposed award of a concession contract to Messrs. Arthur M. Burch and Raymond L. Simpson, a partnership doing business as the Lake McDonald Boat Co., which will, when executed by the regional director, region No. 2, National Park Service, on behalf of the Government, authorize them to provide launch and motorboat service on Lake McDonald within Glacier National Park, Mont., for a period of 5 years from January 1, 1954, pursuant to the act of July 31, 1953 (67 Stat. 271); to the Committee on Interior and Insular Affairs.

1733. A letter from the President, Board of Commissioners, District of Columbia, transmitting two proposed joint resolutions as follows: joint resolution to provide additional municipal services for the District of Columbia, in connection with the Ameri-

can Legion National Convention of 1954, to authorize the granting of permits to the American Legion 1954 Convention Corp. on the occasion of the American Legion National Convention of 1954, and for other purposes"; also "Joint resolution to authorize the quartering in public buildings in the District of Columbia of troops participating in activities related to the American Legion National Convention of 1954"; to the Committee on the District of Columbia.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar as follows:

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. S. 3385. An act to provide for more effective extension work among Indian tribes and members thereof, and for other purposes; without amendment (Rept. No. 2188). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 5832. A bill to amend section 73 of the Hawaiian Organic Act; with amendment (Rept. No. 2189). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 6814. A bill to facilitate the acquisition of non-Federal land within areas of the National Park System, and for other purposes; with amendment (Rept. No. 2190). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 7912. A bill to abolish the Old Kasaan National Monument, Alaska, and for other purposes; without amendment (Rept. No. 2191). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 8205. A bill to authorize the conveyance by the Secretary of the Interior to Virginia Electric & Power Co. of a perpetual easement of right-of-way for electric transmission line purposes across lands of the Richmond National Battlefield Park, Va., such easement to be granted in exchange for, and in consideration of, the donation for park purposes of approximately 6 acres of land adjoining the park; with amendment (Rept. No. 2192). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 7568. A bill to authorize and direct the Farm Loan Board of Hawaii to convey certain land and to ratify and confirm certain acts of said Farm Loan Board; with amendment (Rept. No. 2193). Referred to the Committee of the Whole House on the State of the Union.

Mr. VELDE: Committee on Un-American Activities. H. R. 9690. A bill to amend section 7 (d) of the Internal Security Act of 1950, as amended; without amendment (Rept. No. 2194). Referred to the Committee of the Whole House on the State of the Union.

Mr. HINSHAW: Committee on Interstate and Foreign Commerce. H. R. 8898. A bill to amend section 401 (e) of the Civil Aeronautics Act, as amended; without amendment (Rept. No. 2195). Referred to the Committee of the Whole House on the State of the Union.

Mr. REED of New York: Committee on Ways and Means. H. R. 8628. A bill to amend the Tariff Act of 1930 to insure that crude silicon carbide imported into the United States will continue to be exempt from duty; without amendment (Rept. No. 2209). Referred to the Committee of the Whole House on the State of the Union.

Mr. REED of New York: Committee on Ways and Means. H. R. 9248. A bill to amend section 308 (5) of the Tariff Act of 1930, as amended; with amendment (Rept. No. 2210). Referred to the Committee of the Whole House on the State of the Union.

Mr. MILLER of Nebraska: Committee of Conference. H. R. 5731. A bill to authorize the Secretary of the Interior to construct, operate, and maintain certain facilities to provide water for irrigation and domestic use from the Santa Margarita River, Calif., and the joint utilization of a dam and reservoir and other waterwork facilities by the Department of the Interior and the Department of the Navy, and for other purposes (Rept. No. 2211). Ordered to be printed.

Mr. ROESION of Kentucky: Committee on the Judiciary. H. R. 5796. A bill to amend the Bankruptcy Act to make tax liens of States and their subdivisions valid against trustees in bankruptcy; with amendment (Rept. No. 2212). Referred to the House Calendar.

Mr. BENTLEY: Committee on Foreign Affairs. House Resolution 627. Resolution reiterating the opposition of the House of Representatives to the seating of the Communist regime in the United Nations; without amendment (Rept. No. 2213). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 2015. A bill to authorize the sale of certain land in Alaska to Lloyd H. Turner, of Wards Cove, Alaska; with amendment (Rept. No. 2186). Referred to the Committee of the Whole House.

Mr. MILLER of Nebraska: Committee on Interior and Insular Affairs. H. R. 7229. A bill to provide for the conveyance to T. M. Pratt and Annita C. Pratt of certain real property in Stevens County, Wash.; with amendment (Rept. No. 2187). Referred to the Committee of the Whole House.

Mr. JONAS of Illinois: Committee on the Judiciary. S. 46. An act for the relief of E. S. Berney; with amendment (Rept. No. 2196). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. S. 1165. An act for the relief of Paul E. Rocke; without amendment (Rept. No. 2197). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. S. 1634. An act for the relief of Alton Bramer; without amendment (Rept. No. 2198). Referred to the Committee of the Whole House.

Mr. RODINO: Committee on the Judiciary. H. R. 1157. A bill for the relief of Herbert Roscoe Martin; with amendment (Rept. No. 2199). Referred to the Committee of the Whole House.

Mr. FORRESTER: Committee on the Judiciary. H. R. 1701. A bill for the relief of Ewing Choat; without amendment (Rept. No. 2200). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. H. R. 3237. A bill for the relief of Paul Nelson; with amendment (Rept. No. 2201). Referred to the Committee of the Whole House.

Mr. FORRESTER: Committee on the Judiciary. H. R. 4185. A bill for the relief of John G. Zeros; without amendment (Rept. No. 2202). Referred to the Committee of the Whole House.

Mr. RODINO: Committee on the Judiciary. H. R. 5807. A bill for the relief of Mary Rose; with amendment (Rept. No. 2203). Referred to the Committee of the Whole House.

Mr. FORRESTER: Committee on the Judiciary. H. R. 5870. A bill conferring jurisdiction upon the United States District Court for the Eastern District of South Carolina to hear, determine, and render judgment upon certain claims of Roderick D. Strawn; with amendment (Rept. No. 2204). Referred to the Committee of the Whole House.

Mr. RODINO: Committee on the Judiciary. H. R. 6526. A bill conferring jurisdiction upon the United States District Court for the Eastern District of Michigan to hear, determine, and render judgment upon certain claims of Mr. and Mrs. Donald D. Parrish; with amendment (Rept. No. 2205). Referred to the Committee of the Whole House.

Mr. RODINO: Committee on the Judiciary. H. R. 6697. A bill for the relief of J. B. Phipps; without amendment (Rept. No. 2206). Referred to the Committee of the Whole House.

Mr. JONAS of Illinois: Committee on the Judiciary. H. R. 7093. A bill for the relief of H. W. Robinson & Co.; without amendment (Rept. No. 2207). Referred to the Committee of the Whole House.

Mr. RODINO: Committee on the Judiciary. H. R. 9357. A bill for the relief of S. H. Prather; with amendment (Rept. No. 2208). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

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

By Mr. BERRY:

H. R. 9880. A bill to change the name of the Gavins Point Reservoir in the State of South Dakota to "Lewis and Clark Lake"; to the Committee on Public Works.

By Mr. HOWELL:

H. R. 9881. A bill to establish a program of grants to States for the development of fine arts programs and projects, to provide for the establishment of an American National War Memorial Arts Commission, and for other purposes; to the Committee on Education and Labor.

By Mr. HYDE:

H. R. 9882. A bill to incorporate the Foundation of the Federal Bar Association; to the Committee on the District of Columbia.

By Mr. KILDAY:

H. R. 9883. A bill authorizing the transfer of certain property of the United States located in proximity of San Antonio, Bexar County, Tex., by the Secretary of the Air Force to the State of Texas; to the Committee on Armed Services.

By Mr. MILLER of Nebraska:

H. R. 9884. A bill to establish an employment preference for residents of Alaska in connection with fishing activities in the Bristol Bay area; to the Committee on Interior and Insular Affairs.

H. R. 9885. A bill to amend the Packers and Stockyards Act, 1921, with respect to the charging of brand inspection fees; to the Committee on Agriculture.

By Mr. PHILBIN:

H. R. 9886. A bill to exempt from duty the importation of certain handwoven fabrics when used in the making of religious vestments; to the Committee on Ways and Means.

By Mr. SADLAK:

H. R. 9887. A bill granting the consent of Congress to certain New England States to enter into a compact relating to higher education in the New England States and establishing the New England Board of Higher

Education; to the Committee on Education and Labor.

By Mr. SPRINGER:

H. R. 9888. A bill to amend the laws granting education and training benefits to certain veterans to extend the period during which such benefits may be offered; to the Committee on Veterans' Affairs.

By Mr. BUDGE:

H. R. 9889. A bill to authorize the Secretary of the Interior to execute an amendatory contract with American Falls Reservoir District No. 2, Idaho, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. OSMERS:

H. R. 9890. A bill to establish a Federal policy concerning the termination, limitation, or establishment of business-type operations of the Government which may be conducted in competition with private enterprise, and for other purposes; to the Committee on Government Operations.

By Mr. FULTON:

H. Con. Res. 253. Concurrent resolution to include the Federal Republic of Germany in the community of free nations as an equal partner; to the Committee on Foreign Affairs.

By Mr. BENTLEY:

H. Res. 627. Resolution reiterating the opposition of the House of Representatives to the seating of the Communist regime in China in the United Nations; to the Committee on Foreign Affairs.

By Mr. FALLON:

H. Res. 628. Resolution opposing the seating of Communist China in organs of the United Nations; to the Committee on Foreign Affairs.

By Mr. HILL:

H. Res. 629. Resolution to provide additional funds for the expenses of the study and investigation authorized by House Resolution 22; to the Committee on House Administration.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DELANEY:

H. R. 9891. A bill for the relief of Pasquale Andriola; to the Committee on the Judiciary.

By Mr. DONDERO:

H. R. 9892. A bill for the relief of Susanne Fellner; to the Committee on the Judiciary.

H. R. 9893. A bill for the relief of Takako Riu Reich; to the Committee on the Judiciary.

By Mr. FENTON:

H. R. 9894. A bill for the relief of Galen H. Clark Packing Co., Inc.; to the Committee on the Judiciary.

By Mr. HART:

H. R. 9895. A bill for the relief of Judy Anne Marie Burton; to the Committee on the Judiciary.

By Mr. MILLER of California:

H. R. 9896. A bill for the relief of Charlie Sylvester Correll; to the Committee on the Judiciary.

By Mr. O'BRIEN of New York:

H. R. 9897. A bill for the relief of Sister Giovina (Rosina Vitale) and Sister Olga (Calogera Zeffiro); to the Committee on the Judiciary.

By Mr. SHELLEY:

H. R. 9898. A bill for the relief of Mrs. Genowefa Kryzwkowska Tilden; to the Committee on the Judiciary.

By Mr. VAN PELT:

H. R. 9899. A bill for the relief of Andreas Kafarakis; to the Committee on the Judiciary.

By Mr. WARBURTON:

H. R. 9900. A bill for the relief of Emil Arens; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1097. By Mr. HOSMER: Petition of Mrs. George Foott and other armed services wives residing in Los Angeles County, Calif., for restoration of rights and privileges of the Armed Forces and their dependents; to the Committee on Armed Services.

1098. By the SPEAKER: Petition of Judge William Denman, Court of Appeals, Ninth District of San Francisco, Calif., relative to a resolution adopted by the judicial conference of the ninth circuit on July 8, requesting Congress not to take action on the bills pending in the House and Senate for the division of the 9th circuit into a new 9th circuit and a new 11th circuit and for the creation of additional circuit judgeships for the 2 circuits; to the Committee on the Judiciary.

EXTENSIONS OF REMARKS

B-N-G Solution: A Miracle Drug for Burns, Sunburns, Poison Ivy, and Poison Oak Made From the Mung Bean Sprouts

EXTENSION OF REMARKS

OF

HON. HAROLD A. PATTEN

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. PATTEN. Mr. Speaker, under leave to extend my remarks in the RECORD, I wish to include the following:

There appeared in the CONGRESSIONAL RECORD in 1953 a number of insertions in the Appendix from various Congressmen, as follows:

March 16, 1953: Remarks of Hon. VICTOR WICKERSHAM, CONGRESSIONAL RECORD, volume 99, part 9, page A1324.

May 11, 1953: Remarks of Hon. ROBERT H. MOLLOHAN, CONGRESSIONAL RECORD, volume 99, part 10, page A2497.

June 5, 1953: Remarks of Hon. JOHN L. MCMILLAN, CONGRESSIONAL RECORD, volume 99, part 11, page A3228.

July 31, 1953: Remarks of Hon. HAROLD A. PATTEN, CONGRESSIONAL RECORD, volume 99, part 12, page A4904.

I was the last person who made an insertion in reference to this product before Congress adjourned in 1953.

Mr. Speaker, this product was discovered in a Chinese chop suey canning plant under the ownership of Mr. Ben E. Zaremba. This company had been in the Chinese chop suey canning process for over 18 years. In 1944, Mr. Zaremba started trying to can a hog food made from the residues of the Chinese chop suey in 1- and 2-gallon cans. Mr. Zaremba realized that since the meat supply in this country was almost back to normal, there would very likely be a decrease in the sales of the Chinese chop suey which would, of course, be detrimental to his business.

Dr. Joseph Ryankciwicz, Mr. Zaremba's chemist was doing research in regard to a formula for the canning of hog food, and while doing this work there was an explosion in the plant which scalded a number of people. Mr. Zaremba and those present who were not burned had nothing with which to apply first aid except the mung-bean sprouts which had been freshly cut along with the juice in the vats. An ambulance was summoned from the Chicago area and these people were sent to an outstanding hospital and placed under the care of the doctors there. The doctors immediately noticed that there was very little blistering from these burns and that most of the blistering was on those parts of the body that the mung-bean-sprout juice did not reach. They suggested to Mr. Zaremba that this product evidently had a value for the treatment of burns and they should try to develop it. Mr. Zaremba and the chemist returned to the plant and for a period of 1½ years concentrated on trying to discover just what had happened in the accident and why mung-bean-sprout juice was so effective on burns. In so doing, Dr. Ryankciwicz with his biochemical background found that they had stabilized an enzyme in a vegetable product and later on within 6 months they discovered they had stabilized an additional enzyme—both purely through accident. Mr. Zaremba then started making this product, and he put it on the market in 2-ounce bottles having received the approval of the Pure Food and Drug for the label to read as follows: "Ben-Gee, mung-bean-sprout juice for the relief of minor burns, sunburns, poison oak, and poison ivy."

Mr. Zaremba had difficulties during the years of 1947 through 1950 in securing burn tests on this product. He was refused these tests by such Government agencies as the Army, Navy, and Air Corps. He was unable to take it to private laboratories for testing because at that time the facilities for testing products in these private laboratories were so overcrowded that they were unable to guarantee Mr. Zaremba any definite date when they might be able to make such tests.

In 1951, Mr. Zaremba came to Washington with a number of radio people from Chicago. He was introduced to Mr. William Vaughan who at that time was serving as aide to Vice President Barkley. He was anxious to secure the services of Mr. Vaughan to help in the promotion of this product. Mr. Vaughan was not sure that he would have enough time on his off hours, and when he discussed the matter with the Vice President they agreed that even though there might be time, they were not convinced the product had any merit. They also considered the fact that there might be some adverse publicity as had resulted in

some other patent medicines. The Vice President advised Mr. Vaughan against taking part in its promotion. Mr. Zaremba was persistent, however, as he had utmost faith in his product. Mr. Zaremba seemed so convinced that Mr. Vaughan could be of great service in the promotion of the product that he sent a large number of samples asking Mr. Vaughan to see that they were given away. Mr. Vaughan was not too interested until a serious burn occurred in his own family. Lacking any medication he immediately applied the Ben-Gee Sprout Juice and was amazed at the results it had on the burn. Mr. Vaughan then thoroughly convinced of the merits of the product, became a crusader giving samples to his friends and telling of its great value. Mr. Vaughan gave samples to many Senators and Congressmen, to employees on Capitol Hill and to the Capitol Physician's Office where many samples were given away.

In August 1951, the Vice President had a rather serious burn on the arm and used the Ben-Gee Bean Sprout Juice. Upon finding that there was no pain after 30 minutes and that there was no blistering and no scar left, and subsequently after having used the medicine on a case of athlete's foot with remarkable results, he gave his approval and permission to Mr. Vaughan to go into this business on a part time commission basis during his off hours. Mr. Vaughan then made a contract with the Ben-Gee Products Co. to be the regional distributor for all States on the eastern coast from Maine to Florida and also for his home State of Kentucky.

Mr. Vaughan proceeded to establish a distributorship company, secured a storage place in Washington, D. C., and received some $20,000 worth of merchandise. Their plan was to go on the market for retail sale in March 1952, but the company making the product was stopped by an injunction obtained by another pharmaceutical company which claimed a similarity of name. This, of course, caused delay as they could not sell the product under the name in question. Mr. Zaremba did not give up but set out to get an approved name and trade-mark that would be agreeable. Mr. Vaughan started to give out the merchandise then in storage in Washington as samples to doctors, clinics, and any hospitals which would agree to take them for clinical research.

Mr. Vaughan and Mr. Zaremba felt that if this product could have a fair and full test on burns by one of the branches of the armed service, the results would be such that there would be no question in the minds of the medical profession as to its value.

They worked for several months with this pharmaceutical company which had cooperated with them trying to agree on a name that would be acceptable to all. A year later this company agreed on the new name, which was "B-N-G solution, containing tyrosinase, for the relief of minor burns, sunburns, poison ivy, and poison oak dermatitis; for external use only; manufactured by the Worth Pharmacal Co. Division of the Ben-Gee Products Co., Oak Lawn, Ill."

In February 1953 Mr. Zaremba and Mr. Vaughan began to attain results of their efforts made in the free distribution promotion of this product. There were a number of outstanding publications and newspapers which carried articles on this medicine and various radio commentators made mention of it. There were also, as mentioned above, insertions in the CONGRESSIONAL RECORD referring to the relief that this product had given to people with burns, sunburns, and skin disorders.

The following publications and radio broadcasts regarding B-N-G solution appeared as follows:

February 3: Radio broadcast of Earl Godwin, station WRC, NBC, Washington.

March 21: Drew Pearson, Washington Merry-Go-Round, appearing in the Washington Post and other papers.

May 8: Arlington (Va.) Daily Sun, story relative to the effect of B-N-G.

May 21: NEA syndicated story by Douglas Larsen, staff correspondent, published throughout the United States by various Scripps-Howard newspapers during May and June.

May 25: Radio station WRC, 11 p. m. news broadcast, Stewart Findley reporting. This broadcast was received on NBC network as far west as Chicago.

June 10: Associated Press story by Frank Carey. Published in Washington Evening Star, page 1, and eventually in more than 800 other newspapers and in some 600 of these papers appearing on page 1. Appeared in such papers as the Glasgow (Scotland) Evening Times and the Korean edition of Stars and Stripes.

June 11: References to the AP story in the morning news broadcast of Claude Mahoney, CBS network, and on numerous other local news broadcasts throughout the United States.

June 13: Washington Times Herald feature story by Don Munson.

June 21: Feature story from Washington by Ed Edstrom in Louisville (Ky.) Courier-Journal.

June 25: Glasgow (Ky.) Times reprint of Louisville Courier-Journal story with prefatory remarks.

July 13: New York Herald Tribune leading comment in Hy Gardner's column.

July 21: Radio broadcast of Ray Henle, Three-Star Extra—Sunoco.

Mr. Speaker, at this point I would like to call your attention to the fact that on January 6 of this year Congressman FRANK CHELF inserted an article in the Appendix of the daily CONGRESSIONAL RECORD on page A2, and I inserted an additional article in reference to this product on February 12. Further, on February 17, Senator KERR, Senator MONRONEY, and Congressman WICKERSHAM signed a letter addressed to the Surgeons General of the Army and Navy requesting that they test this B-N-G solution as its wide use would increase the market value of the mung bean in their State.

Senator KERR, Senator MONRONEY, and Congressman WICKERSHAM also claimed that since Oklahoma was the only State at the present time which could properly grow the mung bean suitable for the sprouts which are used in this medicine, they had had considerable correspondence from the mung bean growers in this State. In reply to their request the Army and Navy answered they would ask the National Research Council Committee on Trauma—the medical name for burns—for permission to test this product. The Navy in a reply to Senator KERR, Senator MONRONEY, and Congressman WICKERSHAM requested a meeting in Washington on March 12, with the chemist and a group from the Worth Pharmacal Co., asking them to bring samples and data of medical composition on burns regarding this medicine. This procedure was not followed by the Army. They made their request for the test directly to the National Research Council Committee on Trauma.

On April 16, the Navy Department Bureau of Medicine and Surgery answered the requests made by these three gentleman stating that they were refused permission by the National Research Council Committee on Trauma to test this product on burns for the following reasons: First, because the company which discovered it had no pharmaceutical background and second, because there was not any hospital or clinical data on burn cases where this had been used.

This product is a vegetable product and has no formula, therefore, it cannot be patented. It was made purely through accidental discovery, and I might add that this product contains only 2 percent Thimerosol (methiolate) preservative.

It has been difficult for the company to get this product into hospitals for the necessary data with the position taken by the National Research Council Committee on Trauma.

Mr. Speaker, there have been a number of prominent physicians in the Washington area who have used this product. It has been used on several burn cases where it gave very fine results. One particular case called to my attention is that of an electrician in this area who received a severe electrical burn. This man was burned on both arms up to his shoulders and on both legs from above his knees and to his ankles. He has been very grateful for the results credited to the use of this medicine since his arms, and particularly his hands, are free of scars, and he is left with complete movement of his fingers which was most important to him as his hands were his source of livelihood. The above case has hospital clinical data at a local hospital in Washington, D. C. This clinical data was taken under the supervision of a local physician and anyone wishing to review this report can do so.

Mr. Speaker, it occurs to me that since we are faced with a possible atomic attack and also confronted with suspected sabotage action and with accidents such as the recent one on the aircraft carrier *Bennington*, this B-N-G solution made by Worth Pharmacal Co. should have a burn test made by the Government.

I am told that, if properly conducted, it takes considerable time to run a burn

test, and I feel that the best way to carry on such a test would be through the facilities of the Armed Forces. They could conduct these tests more rapidly and thereby hasten the time when this medicine would be available to all mankind.

Mr. Speaker, I have had numerous personal experiences with the use of this product. Since we have entered into the summer months, I have had the opportunity to observe its miraculous results on many types of skin disorders and especially on burns and sunburns. A fact that interests me a great deal is that, to date, there has not been brought to my attention a single case where any harmful effects resulted from its use. I have been informed that no adverse report on the use of the medicine has come to the company's attention even though they have made it widely available through free sample distribution.

Therefore, Mr. Speaker, it occurs to me that these facts should be brought to the attention of those in our armed services who have the authority to see that this product is tested, and to the attention of the National Research Council Committee on Trauma which has so far refused permission for these tests claiming it lacks clinical data. I also feel that these agencies should inform the Worth Pharmacal Co. just what must be done in order to have these tests made.

Surely there is an end to the string somewhere, and if found, might lead to the unraveling which is necessary for this product to be tested and made available to the suffering and the afflicted.

Let Us Build a New World

EXTENSION OF REMARKS

OF

HON. RUTH THOMPSON

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Miss THOMPSON of Michigan. Mr. Speaker, about a year ago I introduced a bill in the House which would create a Department of Peace in our Government. The Secretary of such a Department would have Cabinet status and would work toward peace and good will throughout the world. No action was taken by the committee, but I am still of the opinion that all the guns, all the tanks, and all the bombs we are building during these hectic times are not going to save us from our enemies at home or abroad.

I firmly believe that our only salvation lies in the fact that we must revert back to the more simple life, and give more thought to that overruling power from which all blessing flow. God, in his infinite goodness, and the teachings of Jesus Christ, His son, are the only answer if we are to survive in these days of universal insecurity.

Last week I was one of 160 Members of Congress who attended a breakfast honoring Evangelist Billy Graham, who has just returned from a preaching trip abroad. His audience was most attentive as he told of speaking to a total attendance of more than 2 million people in Great Britain over a period of 12 weeks. On the Continent he addressed 300,000 persons more through interpreters. Mr. Graham stated that much of the success of his meetings was due to a spiritual resurgence as the result of World War II and the fear of the atom bomb. Friends, right now is the time to start building a new world. And, we can only build a new world when we discard the old implements of war and put God back into the center of life. Let us do it now, not only for ourselves, but for generations to come.

Mr. Speaker, Evangelist Billy Graham has had a great revelation. And that revelation means much responsibility. He should be supported by the Congress of the United States, and the present administration.

At any cost, let us make this great God-fearing man, and his equally great team, our official ambassadors of good will and spiritual awakening. A miracle could yet happen.

Glorified Blackmail: H. R. 9820 and S. 3718 Give New Jersey and Pennsylvania the Green Light To Pick Your Pocket—Motorist Beware

EXTENSION OF REMARKS

OF

HON. ALFRED D. SIEMINSKI

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. SIEMINSKI. Mr. Speaker, I trust the Congress will reject H. R. 9820 and S. 3718.

Both bills will no doubt be called up for approval on a sleeper play when few Members are in the Chamber. They could not pass otherwise.

H. R. 9820 and S. 3718 is another one of those gold dust attempts to kid the public. Gold for the money men. Dust for the eyes of the motorist. Both bills, as now written, should be defeated. I will object to their passage.

H. R. 9820 and S. 3718 is another one of those bistate agency deals between New Jersey and Pennsylvania to set toll rates and collect handsome profits from helpless motorists using New Jersey-Pennsylvania facilities. It is a medieval practice. And why Uncle Sam gets suckered into these booby trap consent bills, is difficult to understand.

H. R. 9820 and S. 3718 is glorified blackmail. Not a word in either bill talks about the rights of the motorist. Not a word in either bill assures the motorist that tolls will be flexible, like farm price supports. Not a word in either bill assures the motorist that tolls will be geared to maintenance cost of facilities after debts are serviced and retired. Not a word in either bill guarantees the motorist that he isn't being taken for a sucker in being forced to contribute to profits that will build warehouses and private enterprise facilities that should come from venture and not blackmail capital. Strong words? Sure. But what is so brave and enterprising about these bills? They smack of a lack of a bill of rights for the American motorist.

Were Texas Guinan around today, as she was in the days of the speakeasy, her greeting would, I am sure, reach the ears of every motorist who will be affected by H. R. 9820 and S. 3718: "Hi Sucker."

Health Insurance—Whose Interests Does It Serve?

EXTENSION OF REMARKS

OF

HON. LOUIS C. RABAUT

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. RABAUT. Mr. Speaker, in my judgment, the reinsurance bill, H. R. 8356, is a hoax which the administration, innocently or otherwise, is perpetrating upon the American people. With a good deal of fanfare in the press and on television we are being sold a bill of goods, which, when examined, turns out to have been blatantly misrepresented.

The fact that the administration, in various pronouncements, has so accurately put its finger on some of the crying needs of the people in the field of health makes this misrepresentation all the more reprehensible.

It is true that our families are burdened and often financially ruined by the unpredictable and high cost of illness. It is true that only about 17 percent of private medical and hospital expenditures are presently covered by existing health insurance plans. Most insurance plans do not cover all the medical needs—and they are far from paying all the bills of those items that are covered. There are too many exclusions in insurance policies—the benefits often stop too soon. They are too expensive for middle- and lower-income groups. They have not been able to adequately provide for rural people, for retired persons, and for the unemployed. The long-term, chronic illness is barely touched upon under these plans.

All these are urgent problems and the administration has the temerity to tell us that its reinsurance bill would go a long way toward helping solve them. I say this bill, with its $25 million appropriation to set up a so-called reinsurance fund, could do nothing of significance to meet many of the problems.

At the hearings on this bill practically all the experts who testified—from diverse groups, many of whom have entirely different ideas about how to approach the problem—have said that reinsurance cannot do the job. Reinsurance is not a magic potion as the administration seems to think, or which it would have us believe.

I would like to point out that at no time has there been a concrete and conclusive demonstration of how reinsurance would actually perform its magic. I have even heard it suggested that we should vote for this bill because "it will

not do any harm," and it should at least "be given a try."

I say that a bill with no more assurance than this of working is a downright imposition upon the American public—an insult to the people who look to the Congress for sound and effective measures to meet current problems. Enactment of a bill of this sort would be bad and irresponsible legislation.

The needs of the people for something to be done in reducing the tremendous burden of medical and hospital costs and in making available to everyone the best of medical care which modern science has made possible—are immense and urgent. We ought to show boldness and foresight in devising a program to meet the need. We must assess these problems and be willing to provide the funds necessary to cope with them.

This reinsurance bill deserves the treatment it has received in the House of Representatives.

Cushing Veterans' Administration Hospital

EXTENSION OF REMARKS

OF

HON. THOMAS J. LANE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. LANE. Mr. Speaker, I wish to include herein the statement I made this morning before the Subcommittee on Hospitals of the House Committee on Veterans' Affairs in favor of H. R. 9646, to establish a Veterans' Administration center at Framingham, Mass.:

CONVERT CUSHING VA HOSPITAL INTO A VETERANS' HOME

(Statement of Hon. THOMAS J. LANE, of Massachusetts, before the House Committee on Veterans' Affairs, July 15, 1954)

Last month we celebrated the 10th anniversary of the GI bill of rights.

We are proud of this well-rounded program to rehabilitate the men and women who gave up the best years of their lives to protect us.

It is our obligation not only to provide eligible veterans with disability compensation, educational benefits, and hospital care—to mention but a few of a veterans' rights—but to carry out the continuing responsibility of caring for the aged, the homeless, and those who will never be well again.

Congresswoman ROGERS, of Massachusetts, has prepared H. R. 9646, to establish a Veterans' Administration center at Framingham, Mass., to provide domiciliary care for needy veterans, and those suffering from chronic disabilities.

It is similar to H. R. 509, the bill I introduced for the same purpose on January 3, 1953. Other Massachusetts Congressmen, acting separately, have submitted companion bills, which indicate the growing public demand for a domiciliary home in the Northeastern States.

This is not a plan to clear a forest and build a resort hotel.

It is not a maximum cost project.

We look upon it as Operation Salvage.

To save the old and chronically ill veterans from abandonment by efficient conversion of an existing facility from one use to another.

The Cushing VA Hospital at Framingham, Mass., has more than paid for itself by the army of veterans it has saved from ill health by the excellent medical services it has supplied over the years.

Now that its duties have been taken over by more modern facilities, is not reason why we should junk this hospital, and dispose of it in haste.

Cushing is a familiar haven for tens of thousands of veterans who were rehabilitated by its competent care. It is a symbol of the Government's consideration for those whose health was impaired by their service in the Nation's defense.

We have seen other installations closed up or sold at a tenth of their real value, and we have been disturbed by such waste.

Cushing offers us the opportunity to set a new standard for the efficient use of Government buildings. As one use declines, we can convert it to serve a growing need. Duplication is avoided. Costs are cut. A new life for Cushing, as it is adapted to meet the changing needs of an aging veteran population, would be a service to them, and at a minimum charge to the taxpayers.

Cushing is near Boston, where the regional office of the Veterans' Administration is located.

It is the meeting place of the New England States, and a logical site for convenient service to dispossessed and chronically ill veterans.

In a quiet and peaceful environment, yet near to the world's finest medical facilities and skilled specialists at Boston.

This is an ideal spot for a veterans' home.

Ten years ago they were spending their splendid manhood for us in Normandy, and in the steaming islands of the Pacific.

Now some of them are disabled—beyond recovery.

If we are to complete our promise to them, we must begin to provide sanctuary for those who can never pick up the threads of their broken lives.

Cushing is available, and it can be converted into a rest home for old soldiers at a fraction of the cost that would be required to build a new facility for this purpose.

Cushing is an opportunity for us to fulfill the obligation inherent in the GI bill of rights.

Their job is done. Ours is continuing.

Blair Moody Recovering

EXTENSION OF REMARKS

OF

HON. JOHN D. DINGELL

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. DINGELL. Mr. Speaker, inquiries have come to my attention about the health of Blair Moody, once a Senator from Michigan, and again a candidate this year.

I am pleased to report that Blair Moody is well on the road back to the excellent health that marked his long tenure in Washington as a great journalist and as a great Senator.

Blair was stricken with pneumonia while campaigning in Michigan's vast upper peninsula. He was rushed to St. Joseph Hospital in Hancock, Mich., where first diagnosis showed some possibility of a heart problem on top of the pneumonia. Two outstanding heart specialists, however, on thorough checking reported no heart attack and added that he was recovering rapidly from the pneumonia and soon would be able to resume his campaign.

Blair will be released from the hospital very soon and will rest for several weeks. He can then resume his campaign to return to the Senate as a Democratic Senator from the great State of Michigan. I know you all join me in wishing him complete and early recovery from the pneumonia that temporarily interrupted his campaign.

Those many of you who remember Blair Moody as a reporter or as a Senator will recall his prodigious energy in any task to which he set his hand. The medical opinion out of Michigan, I am reliably informed, is that he will return to his campaign, and, we Democrats hope, to the Senate, equally vigorous and energetic in his service to the people.

Native North Carolinian Still Going Strong in His Adopted State of Georgia

EXTENSION OF REMARKS

OF

HON. F. ERTEL CARLYLE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. CARLYLE. Mr. Speaker, on the 26th day of July, in the year 1879, Johnston Williams was born in the little town of Castle Hayne, N. C.

Seventy-five years later, on July 26, 1954, this aggressive though kindly gentleman of the Old South celebrated his diamond birthday among his hundreds of friends and followers at his home in Waycross, Ga., where he has lived and labored so successfully for nearly a half century.

It is fitting, indeed, that Jack Williams' native State and district join the grateful people of south Georgia in a tribute to this man who is leading such an outstanding life of service to others—a life dedicated to development and progress of the South. Among his many interests were the worthwhile projects of the development of Warm Springs, Stone Mountain Memorial, the development of Okeefenokee Swamp Park, and the advancement of Dr. Charles Herty's program of reforestation with slash pine in the Southeast.

An impressive force through the splendid newspaper he built into one of the most modern and efficient in the South, Mr. Williams has materially aided the development of the New South of today with wise counseling and assistance to hundreds of young people. He has been owner, editor, and publisher of the Waycross Journal-Herald since 1915, receiving coveted awards throughout the years for greatest service to his city, county, and State.

Who's Who in America, volume 27, 1952–53, contains the following:

Williams, Jack, editor, publisher: Born Castle Hayne, N. C., July 26, 1879; son of Thomas and Ellen Elizabeth (Johnston); preparatory education, Cape Fear Academy, Wilmington, N. C.; graduate of Oak Ridge (N.

C.) Institute, 1904; married Ethel Katharine Woodard, June 19, 1912; children, Jack, Katharine Lee, Ruth Winifred, Betty Louise, Eva. In purchasing department, Atlantic Coast Line Railroad, Wilmington, N. C., and Waycross, Ga., 1899–1903; same position with Atlanta, Birmingham & Atlantic Railroad, Waycross, 1905–06; general storekeeper, same railroad, Fitzgerald, Ga., 1906–07; manager publishing company, Boston, 1909–11; editor owner, and publisher Waycross Daily Journal-Herald and Waycross Weekly Journal since 1915; also publisher of Blackshear Times 1924–26, Hogansville News 1925–26, and La Grange Reporter 1924–27; president Waycross Journal-Herald Publishing Co., radio station WAYX; vice president Georgia Loan & Savings Co., 1939–41; president Merchants & Mechanics Loan Co., since 1941; Waycross Building & Loan Co., Waycross Hotel Co., Progressive Life Insurance Co., president First Federal Savings & Loan Association. Served as State senator 1937–38 and 1943–44, member State legislature 1939–41 and 1942–47. Lieutenant colonel on Governor's staff. Member city board of education; president Kings Daughters Home for Children 1935–36. President Georgia Press Association, member 11th District Press Association (president); president, advisory board, Salvation Army; vice president Waycross Railroad YMCA; vice president Georgia Forestry Association; president Waycross and Ware County Chamber of Commerce 1936–37 and 1945–47. Awarded Sutlive trophy, Georgie Press Association, 1925 "for greatest service to community" of any paper in the State; Baynard Knight cup, Kiwanis Club, 1923 "for greatest service to community"; Miller medal "for having rendered greatest service to his city and county during the year 1932." Democrat. Presbyterian. Mason (Shriner). Elk. Clubs: Kiwanis (vice president 1928, president 1929), Okefenokee Golf (secretary), Dovers Bluff Fishing (president). Farmer, dairyman, and stock raiser. Home Cherokee Drive, Waycross, Ga. (summer home St. Simons Island). Address, Journal-Herald Building, Waycross, Ga.

Mr. Speaker, it is so apparent that Mr. Williams has lived an extremely active and fruitful life, and to me it is a source of real pride that he is a native North Carolinian born in the congressional district which I am honored to represent.

House Judiciary Committee Tables Butler Resolution, Senate Joint Resolution 44, Amending Constitution Relating to Number of Supreme Court Judges, Etc.—Celler Opposed Restrictions on Supreme Court

EXTENSION OF REMARKS

OF

HON. EMANUEL CELLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. CELLER. Mr. Speaker, Senate Joint Resolution 44 is a four-pronged constitutional amendment. First, it freezes the number of Justices of the Supreme Court to nine. As a member of the Committee on the Judiciary at the time of President Roosevelt's proposal to pack the Supreme Court, I protested with such vehemence that Roosevelt never forgave me for it. I cannot say, however, that the Court-packing proposal of 1937 justifies this proposed constitutional amendment. We force upon ourselves a rigidity which can in the future make much mischief. It is in the flexibility of the Constitution that we can lay claim to a government that moves with history. Members of Congress do not have the gift of clairvoyance. In the event there is another such move to increase the members of the Court, the then Congress, in the final analysis, can approve or reject, as is deemed best in the national interest. This attempt to mortgage the future when no good reason exists for doing so is begging for trouble.

Secondly, Senate Joint Resolution 44 compels retirement of Justices of the Supreme Court at the age of 75. Again, this is the kind of rigidity and generalization which is unhealthy in constitutional amendments. Judges may now retire at 75 if they wish. Some of our best judicial activity was performed by judges over 75 years of age. I point to Justice Holmes, Hughes, Brandeis, and Judge Learned Hand. There are scores of others. There are judges today over the age of 75 who are serving with great distinction.

Thirdly, the House Judiciary Subcommittee seeks to propose another section which was wisely discarded by the Senate; namely, that no Justice of the Supreme Court shall be eligible to serve as President or Vice President of the United States until 5 years have passed after the termination of such service. What is the compelling need for such a provision that makes it constititutional matter? What if one of the Justices of the Supreme Court were of presidential caliber? Is the country to tie its hands from seeking the best possible man for the highest elective office in our land? There is an ugly implication in such a provision that the possibility of attaining a presidency or vice presidency can mar the integrity of the future members of the Supreme Court.

Fourthly, Senate Joint Resolution 44 seeks to prevent Congress from curtailing the appellate jurisdiction of the Supreme Court. While I do not oppose such a measure I can see no need for its present enactment at the end of a session when time is so pressing. True, Congress has the power to curtail this appellate jurisdiction, particularly in cases involving constitutional questions. Only once did such a situation arise and that was in the tremendous upheaval of the Civil War.

Unless the reasons are compelling, I cannot approve such amending of the Constitution. This almost casual approach to so far reaching a process is contrary to our best interests. Three of the four provisions in Senate Joint Resolution 44 are actually placing us in a box within a box within a box. In a similar connection it was once said, "striving to better, often we mar what's well."

Questionnaire To Constituents: What Is Your Opinion?—How Would You Vote?

EXTENSION OF REMARKS

OF

HON. HAROLD C. HAGEN

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. HAGEN of Minnesota. Mr. Speaker, under leave granted, I wish to extend in the RECORD my own remarks and a questionnaire and opinion poll which I intend to send to my constituency. It follows:

WHAT IS YOUR OPINION?—HOW WOULD YOU VOTE?

DEAR FRIENDS: During the past few months a number of statewide opinion polls have been conducted in Minnesota and perhaps you have been asked to contribute your views and answers to them.

The results of these polls, you may have noted, have been varied and often contradictory. What is more, they do not necessarily reflect the opinions of you who live in the Ninth Congressional District of Minnesota.

Much useful information may be obtained from a public opinion poll which is properly executed. Principally, it may serve to strengthen the link between the people and their representatives in government, a link which due to obvious limitations of time and distance is not as strong as it ought to be.

This brief questionnaire is principally devoted to the farm problem which is so vital an issue with us in the Ninth Congressional District. Your opinions on these and other questions will be helpful to me as your United States Representative in Congress.

If there are other issues or problems not included in this form on which you would like to comment, I urge you to do so. Your suggestions, advice, and counsel always are welcome and greatly appreciated. I would like to hear from you.

THE QUESTIONS

1. A proposal has been made which would set up a system of flexible price supports for farm crops. In periods when there were large surpluses of crops, the support prices would be lower; in periods when there were no large surpluses, the support prices would be higher. Do you favor or oppose flexible price supports? Favor ☐. Oppose ☐.

2. Under Federal law, price supports on basic farm crops are guaranteed through 1954. Do you favor or oppose the Government's continued support of farm crop prices after 1954? Favor ☐. Oppose ☐.

3. Dairy price supports were lowered recently. Do you believe they should be restored or raised? Yes ☐. No ☐.

4. A suggestion has been made that the Federal Government dispose of some of our food surpluses by giving food stamps to low-income families. These stamps could be exchanged for certain kinds of surplus foods. Would you approve or disapprove of a food-stamp program like that? For ☐. Against ☐.

5. In general, do you approve or disapprove of the ways Ezra Benson is handling his duties as United States Secretary of Agriculture? Approve ☐. Disapprove ☐.

6. As a Representative of a predominantly farm area I have consistently supported 90-percent of parity for basic farm products and similar supports for other farm produce. In fact, for years I have fought for 100 percent of parity. In other words I have always favored and vigorously supported at least 90 percent of parity for all farm products,

and I intend to continue to do so, recognizing of course some controls on production and marketing are necessary. The question is, Do you think I have been right in my position? Yes ☐. No ☐.

7. In general, do you approve or disapprove of the way the Eisenhower administration is handling our foreign affairs? Approve ☐. Disapprove ☐.

8. Did you vote for Eisenhower or Stevenson in 1952? Eisenhower ☐. Stevenson ☐.

9. Suppose you were voting today—which one would you vote for? Eisenhower ☐. Stevenson ☐.

10. Suppose that Freeman were running today against Gov. C. Elmer Anderson, a Republican, for the governorship of Minnesota. Which man would you personally favor? Freeman ☐. Anderson ☐.

11. If you were choosing a Senator today, which man would you personally favor, HUMPHREY or Bjornson? HUMPHREY ☐. Bjornson ☐.

12. Do you agree that Congress was wise in approving the St. Lawrence seaway project? Yes ☐. No ☐.

13. Do you favor statehood for Alaska? Yes ☐. No ☐.

14. Do you favor statehood for Hawaii? Yes ☐. No ☐.

(NOTE.—It is not necessary to sign your name. You may not wish to answer all of the questions. If not, please answer those on which you desire to express an opinion. You may just place an "X" in space provided after each question.)

Please return to United States Representative HAROLD C. HAGEN, Crookston, Minn. Feel free to use reverse side for your comments and remarks. Thanks for your cooperation.

Sincerely yours,

HAROLD C. HAGEN.

Celler Repeats Demand for Action Against Saudi Arabia-Onassis Oil Monopoly

EXTENSION OF REMARKS

OF

HON. EMANUEL CELLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 13, 1954

Mr. CELLER. Mr. Speaker, the Saudi Arabia-Aristotle S. Onassis oil tanker agreement—with its monopolistic and discriminatory features—may initially cost the American consumer directly, or the American taxpayer indirectly, a minimum of $16 million a year. Before long, this excessive and unnecessary drain may rise to $100 million a year or more.

It is inconceivable, therefore, that our Government can stand by and permit this agreement to operate.

The nature of these exorbitant charges and the damaging features of this unfair contract were first cited in my statement of May 18, 1954. They were announced in more detail in my statement of June 24, 1954, when I urged the Department of State and the Foreign Operations Administration to review this unpalatable agreement and to do something about it.

More than a month has passed since my last statement was issued. Yet, I have received no further report from these agencies; nor have I learned of any real action which they have taken to put a stop to this unwarranted discrimination against American interests and against nationals of a friendly power.

The present oil concession in Saudi Arabia is an American one. In the long run, British and other foreign interests will not be affected nearly as much as our own. Nevertheless, Britain has made a strong démarche to the Saudi Arabian Government. So have Finland, Norway, and Denmark.

As far as I can tell from the meager public information on action taken by our own Department of State, there has been only one official statement on this matter. Made to the House Committee on Merchant Marine and Fisheries, it consisted of 13 words:

> The Department has protested this agreement as a violation of the concession rights.

These 13 words will scarcely prove very reassuring to the American public.

By way of contrast I append to my statement a report of the far more forthright British stand, as reported in the Times of London on July 20, 1954.

Clearly, it is "time for a change"—strong American action in this matter is imperative.

Rather than repeat the details of my previous statements, I shall confine these remarks to an explanation of three points:

First. An estimate of the inordinate burden which would be exacted from American consumers or taxpayers;

Second. A reference to the specific responsibility of the Department of Justice to examine the Saudi Arabia-Onassis agreement in accordance with the provisions of our antitrust laws—especially as they apply to American firms which elect to import articles—in this case, oil—from such an international conspiracy in restraint of lawful trade as this one appears to be; and

Third. A mention of the definite obligation with which the Federal Maritime Board is charged to investigate the action of any foreign government where it appears that United States vessels "are not accorded equal privileges in foreign trade with vessels of such foreign countries or vessels of other foreign countries."

THE COST OF THIS MONOPOLY

It is not my intention to provide here an unduly detailed breakdown of each of the factors that make up the exorbitant potential profit for Mr. A. S. Onassis from this negotiation which has such serious overtones for Americans.

It is my intention, however, to urge once again that the rightful authorities carefully examine this matter. If the facts are as I believe them to be, appropriate measures should be taken immediately to stop an unmitigated raid upon the purses of American consumers or taxpayers.

The carriage rate, which is provided in the Saudi Arabia-Onassis contract, is stated below in summary as being "in accordance with the rates announced monthly by the London Tanker Brokers Board, provided that this rate shall not be less than the average rates of the London Tanker Brokers Board during the last two years starting April 1952 through March 1954."

The London Tanker Broker Board rate fluctuates with the market. For the principal tanker run involved—United States to the Continent—the two-year average specified in the agreement as a minimum works out at what the shipping trade calls USMC minus 15—that is, 15 percent less than the rates established by the United States Maritime Commission during the war.

In dollars this would mean payments of $9.26 per ton to Mr. Onassis. The actual present market rate is much lower—USMC minus 55, which means $4.90 per ton.

Hence, Mr. Onassis will receive an estimated $4.36 per ton more than the market—in fact only 54 cents less than twice the present rate.

The contract initially calls for Mr. Onassis to supply a minimum of 500,000 deadweight tons of tanker capacity to Saudi Arabia. Let us make some assumptions: that eight round trips can be made by a vessel each year and that 500,000 tons of deadweight capacity would permit carriage of 460,000 tons of oil, and that the rate for United States-Continent carriage would be used—then Mr. Onassis would receive excessive amounts of gross profit as follows: $4.36 per ton times 460,000 tons of oil times 8 trips per year. This would amount to around $16 million per annum. It is only one estimate of the basic profit. There are, of course, various other contingencies, which I have not included, but these computations give us a rough indication of the scope of this pernicious agreement.

In return for the monopoly, Mr. Onassis would pay the Saudi Arabian Government 21 cents per ton, or approximately $700,000. Also he will pay for the expenses of a Saudi Arabian naval academy, estimated at $50,000; and he will also transport an estimated 50,000 tons of oil locally free of cost, the cost of which is estimated to be another $50,000. He is further expected to build drydock facilities at Jidda. These might be expected to amortize their own cost. Hence, in total, he will pay the Saudi Arabian Government roughly $800,000 per annum.

In my opinion this $800,000 is just an initial bite. More likely we will find that the $800,000 per annum will be nothing more than the camel's nose coming under the tent.

The figures I have projected above represent the minimum benefit under the terms of the contract. Should the Onassis monopoly succeed in cornering 60 percent of the total Saudi Arabian output, the increase in cost of oil would probably approach $100 million per annum.

If the monopoly should succeed in cornering the total Saudi Arabian output, the excess in price would be in the neighborhood of $150 million to $200 million per annum.

I do not purport to say that my estimated computations are wholly accurate. There are too many variables, including among others: the carrying capacity of the vessels, their speed, the turnaround time, and many others.

However, those computations which I have made indicate the magnitude of the profit which Mr. Onassis and the Arabians would make.

But I do say that these estimates are not unfounded projections. They are written right there in the terms of the contract.

Insofar as the American consumers are affected, they would end up paying the bill for the price increases on perhaps 15 or 20 percent of the Arabian oil—that being more or less the proportion which comes to the United States.

But that is only the beginning. If the other nations of the free world are forced to draw down their scanty foreign exchange reserves to pick up the bill for the balance of the oil—perhaps 80 or 85 percent—it will mean that there will be less foreign exchange in their coffers. Hence, requests for increases in the grants and loans annually sought from the American taxpayer will no doubt appear in due course.

My conjecture is that, if this agreement is permitted to stand, the American consumer and/or the American taxpayer will end up paying these gigantic sums for the support of Mr. Onassis and for the support of this nationalistic Arab nation.

LEGAL STEPS WHICH THE AMERICAN GOVERNMENT CAN TAKE

After further study of what appears to be a serious international conspiracy, I have found that two additional agencies of the Federal Government—the Department of Justice and the Federal Maritime Board—are charged with responsibility in matters such as this one. This agreement appears to be in violation of our antitrust and shipping laws. It is, therefore, high time that American consumers and taxpayers receive affirmative assurance by appropriate Government officials that their rights are being protected. Their rights must not be abused by indecision, ineptness, or unwillingness to investigate and prosecute a flagrantly unfair and monopolistic trade agreement.

I trust that the Department of Justice has reviewed or will review promptly this Saudi Arabia-Onassis agreement in light of the specific wording of our antitrust laws.

RESPONSIBILITY OF THE FEDERAL MARITIME BOARD

With reference to the responsibility of the Federal Maritime Board, section 26 of the Shipping Act of 1916 states:

The Board shall have power, and it shall be its duty whenever complaint shall be made to it, to investigate the action of any foreign government with respect to the privileges afforded and burdens imposed upon vessels of the United States engaged in foreign trade whenever it shall appear that the laws, regulations, or practices of any foreign Government operate in such a manner that vessels of the United States are not accorded equal privileges in foreign trade with vessels of such foreign countries or vessels of other foreign countries, either in trade to or from the ports of such foreign country or in respect of the passage or transportation through such foreign country of passengers or goods intended for shipment or transportation in such vessels of the United States, either to or from ports of such foreign country or to or from ports of other foreign countries.

While the number of United States-flag vessels engaged in this trade may not be numerous, 40 percent of the oil is carried by vessels controlled by Aramco companies; and the United States Navy in the Mediterranean may be dependent upon this oil.

SUMMARY

In short, I think that the American people should now demand that these four agencies of the Federal Government—the Department of State and the Foreign Operations Administration, to which I referred previously, and the Department of Justice and the Federal Maritime Board, which I have mentioned herein—report on this trade agreement with respect to, first, its monopolistic and discriminatory provisions; and, second, what steps are being taken, or will be taken, to protect American interests.

I repeat once again the need for an awareness of the serious aspects of this matter. I would again urge the oil companies not to compromise in any such conspiratorial and probably illegal arrangements. I restate my earlier remark that this Middle East oil-tanker agreement "militates against the best interests of our national security, our traditions of free trade and fair play, and our time-honored guaranties of justice and equity to friendly countries and the American consuming public."

The American people are entitled to action and to results.

[From the London Times of July 20, 1954]

SAUDI ARABIAN OIL—BRITISH CONCERN OVER ONASSIS AGREEMENT

Mr. James Hoy (Edinburgh, Leith, Laborite) and Mr. Grimond (Orkney and Zetland, Laborite) asked for a statement on the agreement reached between Saudi Arabia and Mr. Socrates Onassis.

"Mr. DODDS-PARKER (Under Secretary, Foreign Office (Banbury, Conservative)). The Government have now studied the agreement between the Saudi Arabian Government and Mr. Onassis. There is no doubt, in their view, that this agreement constitutes flag discrimination by seeking to force buyers of oil to use tankers of one particular flag. It is therefore contrary to accepted maritime practice. Her Majesty's Government deplore such interference by a Government with the shipper's freedom of choice of vessel, and it is clear that British interests will be adversely affected by this agreement. We have been in the closest touch with the United States Government and with other governments and commercial interests, whose objections to this agreement are as strong as our own. The Foreign Secretary has expressed to the Saudi Arabian Ambassador his grave concern at this agreement, and his hope that the Saudi Arabian Government will think very carefully before pursuing a course which seems calculated to lead them into difficulties with friendly powers."

He added that no reply had been received yet from Saudi Arabia.

"Mr. HOY. Is it intended to take this matter before some international organization?

"Mr. DODDS-PARKER. We hope to reach an agreement with the Saudi Arabian Government, with whom we have friendly relations."

SENATE

WEDNESDAY, JULY 14, 1954

(Legislative day of Friday, July 2, 1954)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

O God, our Father, again through sleep and darkness safely brought, restored to life and power and thought, we face a new day; but we would not face it alone. Only by a sense of Thy presence is duty lifted above drudgery. Daily Thou dost invite us to seek Thee. We thank Thee that Thou hast so framed our hearts that our deeper instincts anchor us to Thee; that Thou hast so created everything that he who loves and follows the truth can never miss Thee at the last.

Grant to us to dream great dreams, and not to disobey the heavenly vision; and though the hope sometimes seems forlorn may we be found ready to lead it against unnumbered foes; without stumbling and without stain may we follow the gleam of our highest and best, until the day is ended and our work is done. We ask it in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. KNOWLAND, and by unanimous consent, the reading of the Journal of the proceedings of Tuesday, July 13, 1954, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Tribbe, one of his secretaries, and he announced that on today, July 14, 1954, the President had approved and signed the following acts:

S. 455. An act for the relief of Johan Gerhard Faber, Dagmar Anna Faber, Hilke Faber, and Frauke Faber;

S. 490. An act for the relief of Josephine Reigl;

S. 520. An act for the relief of Mr. and Mrs. Ivan S. Aylesworth;

S. 747. An act for the relief of Jacek Von Henneberg;

S. 1382. An act for the relief of Elie Joseph Hakim and family;

S. 1517. An act for the relief of Helen Knight Waters and Arnold Elzey Waters, Jr.;

S. 1689. An act for the relief of Mrs. Cacila Gotthardt Gange;

S. 1991. An act for the relief of Esperanza Jimenez Trejo;

S. 2465. An act for the relief of Lydia Wickenfeld Butz;

S. 2488. An act to provide that each grant of exchange assignment on tribal lands on the Cheyenne River Sioux Reservation and the Standing Rock Sioux Reservation shall have the same force and effect as a trust patent, and for other purposes; and