off before the beginning of the new school term," Congressman ALGER, as did other Members with families, has used the week to spend a vacation with Jill, David, and Steve. In his absence, Congressman ALGER has asked me to report on the activities of the office in dealing with what is termed "case work."

These are the problems in which the people become involved with the Federal Government and turn to their Representative in Congress for assistance in unraveling the redtape and mysteries of dealing with the sprawling bureaucracy which now touches almost every aspect of our daily living. These are the human problems, some routine business matters, some tragic, all important and, under the inspiration of Congressman ALGER, each is dealt with sympathetically, earnestly and as thoroughly as possible. Of course, a Congressman is limited by law and the Constitution as to just how far he can go in handling a case, but in this office every legal and ethical effort is made to insure each constituent a fair and impartial hearing for any problem. All correspondence between the people and the Congressman is confidential, but I don't believe it is betraying any confidences to list just a few of the types of cases handled by Congressman ALGER and his staff in the past few months.

A constituent, traveling abroad, was suddenly taken ill and needed immediate blood transfusions. No blood of his type was available and had to be secured from the United States without delay. A member of his family was prepared to fly the lifesaving blood to him, but lacked a proper passport. We received the plea for help at 7 a.m., on a Sunday morning. All members of the staff immediately went to work and by noon all necessary clearances were made to permit departure. Another Dallas resident had difficulty in obtaining a permit to sail a boat he had just purchased out of a harbor in a Latin American country. He was using the boat in his work and could get no satisfaction either from American authorities or those of the country involved. We took the case up with the State Department and through a series of telephone calls and cablegrams were able to solve the problem. As a result of these efforts Congressman ALGER received a nice letter from the constituent which said, in part, "It was a relief, and gave me renewed confidence that someone in our Federal Government knows what to do and will take the time to do it for someone who is not an important official. Up until contacting you I have been most frustrated in getting anything done and equally discouraged."

Many cases involve young men and women in the service. A Dallas boy was seriously injured in the Far East and his parents were unable to get the details or clearance for one of them to go to him. We contacted the military, found the boy was hurt, but not as seriously as at first feared and made arrangements for his father to be flown to him. A young woman, unable to adjust to military life was upset because she felt she was not being given proper consideration for a discharge. Her parents were worried about her and sought the Congressman's help in expediting the paperwork. The service branch involved was most cooperative in giving every assurance that everything possible was being done for the girl, arrangements were made for the mother to see her in the hospital and within a few days she was discharged and is now happily at home taking up her college career where it was interrupted. A woman suffering a serious illness which left her totally disabled needed assistance in establishing her right to social security benefits. Recently she was awarded compensation with payments retroactive for 18 months which greatly helped her in meeting her hospital and medical expenses.

These are among the more dramatic cases, but there are hundreds involving income tax problems, VA and FHA loans, problems concerned with Government contracts, hardship discharges and transfer for military personnel, invasion of property rights by the Federal Government in areas where public and private lands adjoin, immigration and visa cases (many concerning refugees from Cuba and other Iron Curtain countries), and many other types, all in a nonpolitical category. They are not all solved to the satisfaction of the person who has the problem, but every citizen of Dallas County may be sure that any case presented to Congressman ALGER is given every possible attention. No other Member of Congress works harder for the people he represents, nor cares more deeply about their problems than does Congressman ALGER.

Replies to a Questionnaire

EXTENSION OF REMARKS

OF

HON. NEAL SMITH

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Monday, August 27, 1962

Mr. SMITH of Iowa. Mr. Speaker, I sent a questionnaire to citizens in central Iowa last winter, and I am gratified and thankful for the great response of thousands who made their opinions and views available.

While those who returned questionnaires would not necessarily be a perfect cross section of the voters of that area, I believe the occupations and addresses listed on the returned questionnaires, when considered as a whole, do indicate that those responding were fairly representative of all the people of that area. While I could almost immediately determine the general opinion on various questions, there were so many thousands of returns that I have only recently been able to tabulate the precise percentages. For the information of those who may be interested, the full question and the tabulation is set forth below:

	Those with an opinion		Percent of total with no opinion
	Percent for	Percent against	
1. Agreements for lower tariffs	85	15	16
2. Continued support of United Nations	85	15	29
3. Continued foreign aid	68	32	19
4. Aid to grade and high schools	54	46	15
5. Aid to increase college classrooms	57	43	19
6. Loans for college students	72	28	27
7. Pensions for World War I veterans	53	47	23
8. Increase disabled veterans' compensation	61	39	26
9. Extend feed grains program:			
Farmers voting	88	12	5
Nonfarmers voting	40	60	39
10. Administration's new farm proposal:			
Farmers voting	50	50	5
Nonfarmers voting	41	59	39
11. Health care for the aged under social security	57	43	10
12. Further civil rights laws	66	34	33
13. Establish Urban Affairs Department	62	38	36
14. Prohibit Federal officials hiring relatives	68	32	17
15. Increase social security benefits	57	43	14
16. Expand recreation areas	72	28	22
17. Continue $700,000,000 medical research program	87	13	18
18. Tax credits for new industrial machinery	59	41	

SENATE

TUESDAY, AUGUST 28, 1962

The Senate met at 10 o'clock a.m., and was called to order by the President pro tempore.

Bishop W. Earl Ledden, Wesley Theological Seminary, Washington, D.C., offered the following prayer:

Almighty God, who didst raise up strong and good men to design and defend this Nation: Grant unto Thy servants in this Chamber the insight, born of dedication to truth and justice, that will enable them this day further to strengthen the moral foundations of our country, and, together with other men of good will throughout all lands, to labor to build a thoroughfare for freedom across the world for the blessing of all kinds and conditions of men and the generations yet to be; through Jesus Christ, our Lord. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Monday, August 27, 1962, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS AND JOINT RESOLUTION

Messages in writing from the President of the United States were communicated to the Senate by Mr. Ratchford, one of his secretaries, and he announced that on today, August 28, 1962, the President had approved and signed the following acts and joint resolution:

S. 2179. An act to amend section 9(d)(1) of the Reclamation Project Act of 1939 (53 Stat. 1187; 43 U.S.C. 485), to make additional provision for irrigation blocks, and for other purposes;

S. 2574. An act for the relief of Constantina Caraiscou;

S. 2751. An act for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera; and

S.J. Res. 179, Joint resolution authorizing and requesting the President to designate April 21, 1963, as a day for observance of the courage displayed by the uprising in the Warsaw ghetto against the Nazis.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate messages from the

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

President of the United States submitting sundry nominations, which were referred to the Committee on Foreign Relations.

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

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed, without amendment, the following bills of the Senate:

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Act; and

S. 3574. An act to extend the International Wheat Agreement Act of 1949.

ENROLLED BILLS SIGNED

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

S. 538. An act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to any person;

S. 981. An act to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain;

S. 1208. An act to amend Public Law 86-506, 86th Congress (74 Stat. 199), approved June 1, 1960;

S. 2008. An act to amend the act of September 16, 1959 (73 Stat. 561; 43 U.S.C. 615a), relating to the construction, operation, and maintenance of the Spokane Valley project;

S. 2399. An act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes;

S. 2916. An act to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument, to authorize the acceptance of donations, and for other purposes;

S. 2973. An act to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes;

S. 3112. An act to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes;

S. 3174. An act to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes;

H.R. 1458. An act for the relief of Lee Dock On;

H.R. 2446. An act to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles shall meet certain specifications prescribed by the Secretary of Commerce;

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches;

H.R. 6984. An act to provide for a method of payment of indirect costs of research and development contracted by the Federal Government at universities, colleges, and other educational institutions;

H.R. 7736. An act to amend the act of May 13, 1960 (Private Law 86-286);

H.R. 8730. An act for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia Filipa Todaro);

H.R. 9915. An act for the relief of Umberto Brezza;

H.R. 10263. An act to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla.;

H.R. 10825. An act to repeal the act of August 4, 1959 (73 Stat. 280);

H.R. 11040. An act to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes;

H.R. 11251. An act to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation;

H.R. 11310. An act to amend section 3515 of the Revised Statutes to eliminate tin in the alloy of the 1-cent piece;

H.R. 11721. An act to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose; and

H.R. 12081. An act to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property.

LIMITATION OF DEBATE DURING MORNING HOUR

On request of Mr. MANSFIELD, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. MANSFIELD, and by unanimous consent, the Committee on Interior and Insular Affairs was authorized to meet during the session of the Senate today.

On request of Mr. MANSFIELD, and by unanimous consent, the Subcommittees on Public Roads and Rivers and Harbors of the Senate Public Works Committee and the Permanent Subcommittee on Investigations of the Senate Government Operations Committee were authorized to meet during the session of the Senate today.

CALL OF THE ROLL

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

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

The Chief Clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that further proceedings under the quorum call be suspended.

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

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

REPORT OF OVEROBLIGATIONS OF APPROPRIATIONS

A letter from the Administrator of Veterans' Affairs, Veterans' Administration, Washington, D.C., reporting, pursuant to law, on overobligations of appropriations in that Administration; to the Committee on Appropriations.

REPORT ON OFFICERS ON DUTY WITH HEADQUARTERS, DEPARTMENT OF THE ARMY AND ARMY GENERAL STAFF

A letter from the Secretary of the Army, transmitting, pursuant to law, a report on the number of officers on duty with Headquarters, Department of the Army and the Army General Staff, as of June 30, 1962 (with an accompanying report); to the Committee on Armed Services.

REPORT OF U.S. INFORMATION AGENCY

A letter from the Director, U.S. Information Agency, Washington, D.C., transmitting, pursuant to law, a report of that Agency, for the period January 1 to June 30, 1962 (with an accompanying report); to the Committee on Foreign Relations.

REPORT ON TORT CLAIMS PAID BY U.S. ATOMIC ENERGY COMMISSION

A letter from the Deputy General Manager, U.S. Atomic Energy Commission, Washington, D.C., transmitting, pursuant to law, a report on tort claims paid by that Commission, covering the period July 1, 1961, to June 30, 1962 (with an accompanying report); to the Committee on the Judiciary.

RESOLUTION OF PLYMOUTH COUNTY (MASS.) DEMOCRATIC LEAGUE

The PRESIDENT pro tempore laid before the Senate a resolution adopted by the Plymouth County Democratic League, at Plymouth, Mass., relating to a berth for the *Mayflower II* in Plymouth Harbor, Mass., which was referred to the Committee on Public Works.

RESOLUTION OF NEW YORK STATE SHERIFFS' ASSOCIATION

Mr. JAVITS. Mr. President, I ask unanimous consent to have printed in the RECORD a resolution adopted by the New York State Sheriffs' Association, favoring legalized eavesdropping under the statutes of the State of New York.

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

Whereas, in the State of New York, eavesdropping by law enforcement officers is permissible under the statutes of this State under certain conditions; and

Whereas doubt has been cast upon the right of New York State law enforcement officers to legally operate under the statutes of this State, by action of the Federal courts; and

Whereas law enforcement officers are seriously impeded when prevented from eavesdropping in compliance with the statutes of this State, which in many cases nullifies their efforts in attempting to combat law violators: Now, therefore, be it

Resolved, That this association again go on record as favoring legalized eavesdropping under the statutes of the State of New York; and be it further

Resolved, That copies of this resolution be sent to U.S. Senator KENNETH B. KEATING and Senator JACOB K. JAVITS as a record of the action taken here today.

Dated: August 9, 1962 at Schroon Lake, N.Y.

NEW YORK STATE SHERIFFS' ASSOCIATION.
ROBERT N. LILLY,
FRANK L. GAVEL,
HOWARD A. HARVEY,
ROBERT W. BURNS,
JOHN E. HOY,
Resolutions Committee.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. SCOTT, from the Committee on the Judiciary, without amendment:

H.J. Res. 783. Joint resolution granting consent of Congress to the State of Delaware and the State of New Jersey to enter into a compact to establish the Delaware River and Bay Authority for the development of the area in both States bordering the Delaware River and Bay (Rept. No. 1927).

By Mr. CARROLL, from the Committee on the Judiciary, without amendment:

S. 453. A bill for the relief of Robert J. Scanlan (Rept. No. 1928).

By Mr. DIRKSEN, from the Committee on the Judiciary, without amendment:

H.R. 11996. An act to amend the act of January 30, 1913, to provide that the American Hospital of Paris shall have perpetual succession (Rept. No. 1930); and

S.J. Res. 211. Joint resolution providing for the establishment of an annual National School Lunch Week (Rept. No. 1929).

By Mr. EASTLAND, from the Committee on the Judiciary, without amendment:

S. 136. A bill for the relief of Dinko Dorcic (Rept. No. 1931);

S. 1848. A bill for the relief of Ivanka Vladimirovna Tindek (Rept. No. 1932);

S. 2684. A bill for the relief of Mr. and Mrs. Juan C. Jacobe, and their four children, Angela Jacobe, Teresita Jacobe, Leo Jacobe, and Ramon Jacobe (Rept. No. 1933);

S. 2687. A bill for the relief of Robert D. Barbee (Rept. No. 1934);

S. 2836. A bill for the relief of Carmelo Rafala (Rept. No. 1935);

S. 2922. A bill for the relief of Raymond Chester Hendon (Rept. No. 1936);

S. 3240. A bill for the relief of Mrs. Lee Ma Chin-Ying (Rept. No. 1937);

S. 3336. A bill for the relief of Lazaro Loyola Arinque, Jr. (Rept. No. 1938);

H.R. 75. An act to amend section 2103 of title 28, United States Code, relating to appeals improvidently taken (Rept. No. 1944);

H.R. 298. An act to provide for the recovery from tortiously liable third persons of the cost of hospital and medical care and treatment furnished by the United States (Rept. No. 1945);

H.R. 1322. An act for the relief of Georges Khoury (Rept. No. 1946);

H.R. 1450. An act for the relief of Maria Odelia Campos (Rept. No. 1947);

H.R. 1463. An act for the relief of Judy Josephine Alcantara (Rept. No. 1948);

H.R. 1678. An act for the relief of Jacques Tawil (Rept. No. 1949);

H.R. 2611. An act for the relief of Charles F. Ward, Jr., and Billy W. Crane, Sr. (Rept. No. 1950);

HR. 3134. An act for the relief of Alvin Bardin (Rept. No. 1951);

H.R. 4628. An act for the relief of Fotios Sakelaropoulos Kaplan (Rept. No. 1952);

H.R. 5317. An act for the relief of Mrs. Sun Yee (also known as Mrs. Tom Goodyou) and her children, Male Har Yee, Shee Bell Yee, and Male Jean Yee (Rept. No. 1953);

H.R. 5393. An act to amend the Bankruptcy Act, as amended (Rept. No. 1954);

H.R. 6649. An act for the relief of C. W. Jones (Rept. No. 1955);

H.R. 7328. An act for the relief of the estate of Louis J. Simpson, deceased (Rept. No. 1956);

H.R. 7437. An act for the relief of Stella Rosa Pagano (Rept. No. 1957);

H.R. 7900. An act for the relief of Lt. (jg.) James B. Stewart (Rept. No. 1958);

H.R. 9589. An act for the relief of Kim Jung Im (Rept. No. 1959);

H.R. 9775. An act for the relief of Nihat Ali Ucuncu (Rept. No. 1961);

H.R. 9834. An act for the relief of Estelle L. Heard (Rept. No. 1960);

H.R. 10195. An act to validate payments of certain special station per diem allowances and certain basic allowances for quarters made in good faith to commissioned officers of the Public Health Service (Rept. No. 1962);

H.R. 10493. An act to amend title 18, United States Code, section 4163, relating to discharge of prisoners (Rept. No. 1963);

H.R. 11017. An act to amend section 4281, title 18, of the United States Code to increase from $30 to $100 the amount of gratuity which may be furnished by the Attorney General to prisoners discharged from imprisonment or released on parole (Rept. No. 1964);

H.R. 11031. An act for the relief of George Wm. Rueff, Inc. (Rept. No. 1965);

H.R. 11122. An act for the relief of Edward J. McManus (Rept. No. 1966);

H.R. 11863. An act for the relief of Vernon J. Wiersma (Rept. No. 1967); and

H.R. 12157. An act to amend the Bankruptcy Act in respect to the salaries of retired referees (Rept. No. 1969).

By Mr. EASTLAND, from the Committee on the Judiciary with an amendment:

S. 972. A bill for the relief of Cristina Franco (Rept. No. 1939);

S. 1263. A bill for the relief of Marie Margaret Arvanetes (Rept. No. 1940);

S. 3419. A bill for the relief of Enrixo Petrucci (Rept. No. 1941);

S. 3490. A bill for the relief of Oh Shin Young (Rept. No. 1942);

H.R. 2125. An act for the relief of Soon Tai Lim (Rept. No. 1970);

H.R. 3125. An act for the relief of Joao de Freitas Ferreira de Vasconcelos (Rept. No. 1971);

H.R. 3719. An act for the relief of Pagona Pascopoulos (Rept. No. 1972);

H.R. 6653. An act for the relief of Maurizio Placidi (Rept. No. 1973); and

H.R. 11914. An act for the relief of Charles Gambino (Rept. No. 1968).

By Mr. EASTLAND, from the Committee on the Judiciary, with amendments:

S. 2753. A bill for the relief of Duk Man Lee and Mal Soon Lee (Rept. No. 1943);

H.R. 1461. An act for the relief of Pedro Bigornia Bandayrel (Rept. No. 1974);

H.R. 3619. An act for the relief of Gennaro Prudente (Rept. No. 1975); and

H.R. 7582. An act for the relief of Dario Tacquechel (Rept. No. 1976).

By Mr. MAGNUSON, from the Committee on Commerce, with amendments:

H.R. 2292. An act to authorize the Secretary of the Treasury to issue certificates of honorable discharge in lieu of certificates of disenrollment to certain persons who served as temporary members of the U.S. Coast Guard Reserve during World War II (Rept. No. 1977).

BILLS AND A JOINT RESOLUTION INTRODUCED

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

By Mr. GOLDWATER (by request):

S. 3680. A bill to amend section 13(g) of the Surplus Property Act of 1944 to prevent the granting of exclusive right to furnish gasoline and oil at airports subject to the provisions of that section; to the Committee on Government Operations.

By Mr. BUTLER:

S. 3681. A bill for the relief of Felicja Riess von Riesenhorst; to the Committee on the Judiciary.

By Mr. BARTLETT:

S. 3682. A bill for the relief of Patrick E. Eagan; to the Committee on the Judiciary.

By Mr. CARROLL:

S. 3683. A bill for the relief of Mrs. Evdoxia Giorgiaki; to the Committee on the Judiciary.

By Mr. DIRKSEN:

S.J. Res. 222. Joint resolution providing for the designation of the period October 1962 through October 1963 as "National Safety Council 50th Anniversary Year"; to the Committee on the Judiciary.

CONCURRENT RESOLUTION

NATIONAL RECOGNITION OF CIRCUS WORLD MUSEUM AT BARABOO, WIS.

Mr. WILEY. Mr. President, I submit, for appropriate reference, a concurrent resolution to grant national recognition to the Circus World Museum at Baraboo, Wis.

The Circus World Museum at Baraboo represents a unique collection of circus showlife, history, and lore, including an unparalleled collection of authentic circus parade wagons, train cars, wardrobes, wood carvings, photographs, posters, and other paraphernalia of circus history; displays of accurate replicas of famous circus attractions and performances by a real trained animal circus; disseminates accurate circus history and includes cataloged and classified library collections of circus show life, history, and lore; and provides a center of national interest in the collection and preservation of significant physical evidence of circus history.

Established by the State Historical Society of Wisconsin, the Circus World Museum then deserves a circus-type "spotlight" in our national culture.

I request unanimous consent to have the text of the concurrent resolution printed at this point in the RECORD.

The PRESIDENT pro tempore. The concurrent resolution will be received and appropriately referred; and, under the rule, the concurrent resolution will be printed in the RECORD.

The concurrent resolution (S. Con. Res. 89) was referred to the Committee on the Judiciary, as follows:

Whereas the Circus World Museum has been established at Baraboo, Wisconsin, by the State Historical Society of Wisconsin; and

Whereas the Circus World Museum and the facilities of the State Historical Society of Wisconsin at Madison, Wisconsin, are set up to disseminate accurate circus history and include cataloged and classified library collections of circus show life, history, and lore; and

Whereas the Circus World Museum itself contains an unparalleled collection of authentic circus parade wagons, train cars, wardrobes, woodcarvings, photographs, posters, and other paraphernalia of circus history; and

Whereas there are numerous additional features at the Circus World Museum such as displays of accurate replicas of famous circus attractions, and performances by a real trained animal circus; and

Whereas this prodigious collection and display insures for the Circus World Museum its place as a center of national interest for the collection and preservation of significant physical evidence of circus history: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That the Congress hereby recognizes the Circus World Museum to be an institution deserving of national interest as a fitting and valuable center for the collection and preservation of the memorabilia of circus history.

ESTABLISHMENT OF THE ROGER WILLIAMS NATIONAL MONUMENT—AMENDMENTS

Mr. PASTORE (for himself and Mr. PELL) submitted amendments, intended to be proposed by them, jointly, to the bill (S. 1679) to provide for the establishment of the Roger Williams National Monument, which were referred to the Committee on Interior and Insular Affairs, and ordered to be printed.

ADMITTANCE OF THE VESSEL "CITY OF NEW ORLEANS" TO AMERICAN REGISTRY—AMENDMENTS

Mr. BUTLER submitted amendments, intended to be proposed by him, to the bill (S. 3115) to authorize the admittance of the vessel, *City of New Orleans*, to American registry and to permit the use of such vessel in the coastwise trade, which were ordered to lie on the table and to be printed.

GRANTING OF EASEMENTS IN, OVER, OR UPON CERTAIN REAL PROPERTY UNDER CONTROL OF EXECUTIVE AGENCIES—AMENDMENT

Mr. COOPER. Mr. President, I send to the desk, for myself and the senior Senator from Oklahoma [Mr. KERR], an amendment to H.R. 8355, Calendar No. 1326, and ask that it be printed.

H.R. 8355, authorizing executive agencies to grant easements in, over, or upon real property of the United States, was reported to the Senate by the Public Works Committee on April 27, with a committee amendment to strike out subsection 4(d), page 3, line 18, through line 2, page 4.

The effect of the amendment I have sent to the desk is to restore the substance of the subsection proposed to be stricken by the committee amendment, and to maintain the intent of the bill as passed by the House. My amendment is identical to an amendment now lying on the table, which was offered on May 14 by the late Senator Case of South Dakota, while he was the ranking minority member of the committee.

I understand that when the bill was discussed in committee, it was felt that subsection 4(d) could well be deleted. However, after the bill was reported it was found that without the subsection, the authority granted would include the granting of easements across Forest Service lands, National Park Service lands, and other lands which had not been considered by any of the Senate committees. Therefore, the bill as reported raised new questions, and it has not been acted upon by the Senate.

The amendment previously offered by Senator Case, which I understand was prepared by the Department of the Interior, is somewhat more specific than the language of the House bill, and reflects the comments made by Assistant Secretary of the Interior John A. Carver, Jr., in his letter of May 2 to the chairman of the committee, Senator CHAVEZ.

The House language excludes from the bill public lands "administered by the Forest Service"; the amendment I have offered excludes public lands "reserved or dedicated for national forest purposes" and "lands acquired for national forest purposes." The amendment I have offered also excludes "Indian-owned trust and restricted lands" which, although legal title is in the United States, are not federally owned lands in the normal sense since the beneficial interest is in individual Indians or tribes. The House language excludes lands "within reservations formed from the public domain and other lands permanently or temporarily withdrawn from any or all forms of appropriation provided for in the public land laws"; the amendment I have offered excludes "lands administered or supervised by the Secretary of the Interior in accordance with the act of August 25, 1916, and lands acquired by the United States primarily for fish and wildlife purposes and administered by the Secretary of the Interior."

I have discussed this amendment with the senior Senator from Oklahoma [Mr. KERR], who worked in the committee with Senator Case on this matter, and he joins me in offering it. While this problem was being considered, I had filed objection with the minority calendar committee to passage of H.R. 8355 on the call of the calendar. I wish to announce for the information of interested Senators that I have no objection to the bill if the amendment Senator KERR and I have offered is accepted whenever H.R. 8355 may be called up.

I believe that the Forest Service, the Department of the Interior, and all who are interested in the effects of the bill are agreed that no problem is presented by the restoration of the substance of subsection 4(d). The bill should be enacted, and I hope that it may be called up, amended by including the language I have offered today, and passed.

The PRESIDENT pro tempore. The amendment will be received, printed, and lie on the table.

REVENUE ACT OF 1962—AMENDMENTS

Mr. JAVITS submitted amendments, intended to be proposed by him, to the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, which were ordered to lie on the table and to be printed.

Mr. McCARTHY submitted amendments, intended to be proposed by him, to House bill 10650, supra, which were ordered to lie on the table, and to be printed.

Mr. WILLIAMS of Delaware submitted an amendment, intended to be proposed by him to House bill 10650, supra, which was ordered to lie on the table and to be printed.

AMENDMENT OF PART 2 OF INTERSTATE COMMERCE ACT—CHANGE OF CONFEREE

Mr. SMATHERS. Mr. President, I ask unanimous consent that the Senator from New Jersey [Mr. CASE] be excused as one of the conferees on the part of the Senate with respect to the bill (S. 320) to amend part 2 of the Interstate Commerce Act, and that the Senator from Maryland [Mr. BUTLER] be named in his place. The change is necessary because the Senator from New Jersey is no longer a member of the Committee on Commerce.

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

NOTICE OF RECEIPT OF NOMINATIONS BY COMMITTEE ON FOREIGN RELATIONS

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that today the Senate received the nominations of the following-named persons to be representatives of the United States of America to the 17th session of the General Assembly of the United Nations: Adlai E. Stevenson, of Illinois; Francis T. P. Plimpton, of New York; Senator Albert A. Gore, of Tennessee; Senator Gordon Allott, of Colorado; and Arthur H. Dean, of New York; and the following-named persons to be alternate representatives of the United States to the 17th session of the General Assembly of the United Nations: Charles W. Yost, of New York; Philip M. Klutznick, of Illinois; Jonathan B. Bingham, of New York; Carl T. Rowan, of Minnesota; and Mrs. Marietta P. Tree, of New York.

In accordance with the committee rule, these pending nominations may not be considered prior to the expiration of 6 days of their receipt in the Senate.

U.S. POLICIES IN MIDDLE EAST

Mr. KEATING. Mr. President, there is widespread concern throughout the country today over the direction being taken by U.S. policies in the Middle East. While Nasser, with German assistance, sets up his own rocket industry, the United States continues to maintain an embargo on arms to Israel. Still worse, U.S. foreign-aid policies seem calculated to appease and woo over the

Arab nations while gradually restricting Israel's share.

The Senate will remember that when we had before us the foreign-aid bill I offered an amendment, which was adopted, which was partially intended to clarify the intent of Congress on this point by making it clear that the Congress did not favor increased aid to countries which appeared simultaneously to be purchasing an arsenal of Soviet arms.

The amendment was accepted with widespread bipartisan support in both the Senate and House.

It is therefore highly disturbing to me, as I am sure it must also be to other Members of Congress, to read that the amendment has been described by Department of State sources as "vague" and "unrealistic" and as essentially only a sop to Jewish voters. That is not the kind of language we like to hear by the State Department, and I am sure it will be resented by Members of Congress. I have, therefore asked the Department of State and AID agencies for an authoritative clarification of their understanding of the amendment and the measures which they plan to take in enforcing it. Legislation passed with the full support of the Congress is not intended to be ignored or mocked by Department of State personnel, and I intend to investigate these reports very carefully.

Mr. President, I ask unanimous consent to include following my remarks in the RECORD the article I have referred to, written by Milton Friedman, which appeared in the August 24 Jewish Ledger.

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

CAPITAL SPOTLIGHT

(By Milton Friedman)

WASHINGTON.—The administration is finding it increasingly difficult to explain why it still refuses to provide any significant defensive arms to an anti-Communist nation, Israel, threatened by the rockets, missiles, and jets of a Soviet-armed "neutral"—Nasser's Egypt.

This issue is clearly destined for a crisis in coming months. Israel, it seems, is the only anti-Communist nation in the world experiencing such difficulty in obtaining American help to defend itself against Soviet-equipped and Soviet-trained enemies.

The United States provides military equipment to Jordan, Lebanon, and other Arab States. Russia supplies the rest of the Arabs. But if America helped arm Israel, the State Department says, it would constitute an arms race. The race is already on, with one side running unrestrained.

Any Latin American democracy can easily get American equipment by merely citing fears of Cuba. Yet Castro's forces have fewer Soviet jet bombers and fighters than Egypt. There are also more Soviet bloc military technicians and instructors in Egypt and more Egyptian officers being trained in the Soviet Union.

Nor has Castro been able to test-fire military rockets like Nasser has done.

Israel has been getting some equipment from France at tremendous expense. However, Soviet weapons of such ultramodern design are pouring into Egypt that French sources are inadequate.

State Department officials are praising the "new" Nasser for his alleged devotion to peace and progress. They ignore his open threats to "Algerianize" the Israel dispute, his bellicose display of military rocketry, his supersonic Soviet TU-16 jets and so forth. All this our officials view as merely propaganda show for domestic public opinion.

Accordingly, the State Department has recommended increased aid and loans to Nasser and the continued denial of any really important military equipment to Israel.

Even though Soviet technicians are working in the Egyptian military establishment, the State Department failed to object when West Germany shipped sensitive electronic and guidance equipment for the Egyptian rockets. The Germans and Russians are apparently divided by no Berlin walls in Egypt, working happily together on rockets to kill Israelis.

If West Germany shipped strategic rocket components to Cuba, Washington would be in an uproar. But the New Frontier has seemingly adopted the same evasive line as the previous frontiers. The United States is not the traditional source of defensive arms for Israel. Only 2 years ago, both political parties made the traditional campaign pledges to safeguard Israel's security.

Apologists will tell you that Washington is still mindful of the tripartite declaration of 1950 and would consider action, probably through the United Nations, if Israel were attacked. The trouble is that the Soviet Union veto would forestall any effective U.N. remedy. Also, rocket and jet warfare is measured by hours; Israel's fate could be sealed in 1 tragic day.

A normal question has been raised: Should America stand by unconcerned, while the Soviet bloc arms a neutral with space age weapons against a pro-Western democracy?

The emotions of Congress were voiced in the Keating-Halpern amendment to the new Foreign Assistance Act. This amendment is noncompulsory and serves mainly to apprise the executive department of the sentiments of Congress and the American people. It called on the President to restrict aid to nations, like Egypt, which use their own resources to buy Soviet arms.

State Department sources have already termed the amendment "vague" and "unrealistic." They said it would be ignored to avoid offending Nasser. In their view, it was adopted only as a sop for Jewish voters.

The administration has failed entirely to explain its concept of a "new" Nasser when the entire military establishment of Egypt is geared to the Soviet Red army, Red fleet, and Red air force for training, equipment, spare parts, and so forth.

Egyptian forces have reached the point where they are entirely dependent on a Soviet service of supply and technical manuals originating in Moscow.

AERONAUTICS IN NEW YORK

Mr. KEATING. Mr. President, New York State has a long and honorable role in the field of aeronautics. Many inventors and innovators in the history of aviation development started out from Long Island or Buffalo and put the State on the map aviationwise, when commercial and military aviation was still in its infancy.

We all know, of course, that it was from Roosevelt Field that Charles Lindbergh took off on his epoch-making flight to Paris. But how many people also know that as early as 1914 Long Island was the scene of experiments by the Sperry & Curtiss Co. for an unmanned plane? This device, in effect the first guided missile, was successfully tested near Amityville, Long Island, 25 years or one World War ahead of its time.

Mr. President, no one then said that the climate in New York was unsuitable for work in aviation. New York took the lead then, and it is time for New York to resume its place in the aerospace industry. As many have pointed out, New York has the technical capability to forge ahead if New York firms are given fair treatment and an equal opportunity to compete for defense work.

Mr. President, New York's illustrious role in aerospace development is highlighted in a fascinating article which appeared in the April 1962 issue of New York History. Mr. Preston Bassett, former president of Sperry Gyroscope Co., is the author of this excellent study, and I ask unanimous consent that excerpts be printed in the RECORD following my remarks.

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

AERONAUTICS IN NEW YORK STATE

(By Preston R. Bassett[1])

This is the story of aeronautics as seen only from within New York State. One would expect that such a geographical limitation would severely handicap the tale or, at least, cause large gaps in the continuity of such a worldwide development. It is surprising, therefore, to find that when the scattered fragments of local aeronautic lore are brought together a very complete picture of the conquest of the air emerges. It is replete with "firsts," and the continuity from balloons to jets suffers not a break.

So our hypothetical State reporter will cover events from Long Island to Buffalo without ever leaving the boundaries of New York. Let him start at the beginning.

American aeronautics began on September 9, 1830. It was on this date that the first balloon ascension by an American in an American-made balloon took place. It was a New York affair. The place was Castle Garden, that center of attraction on the lower tip of Manhattan. The aeronaut was Charles Ferson Durant, a young and versatile New York boy, only 25 years old. He already had quite a reputation as a scientist and inventor, and he himself had constructed this huge balloon out of silk, doped to make it impervious to gas. It was a calm day and the ascent was a great success as the baloon drifted slowly over New York Harbor and remained in sight of the crowd for over an hour. He landed at Perth Amboy after being in the air 2 hours.

The second famous American balloonist was John Wise of Lancaster, Pa. He was such an enthusiastic aeronaut that he made many flights and had gained much experience before he entered our domain. In 1847, however, he discovered New York and made several ascensions from Utica, Syracuse, Buffalo, and Auburn. His flight from Auburn impressed him especially. For a veteran of

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[1] Mr. Bassett, a trustee of the association and former president of the Sperry Gyroscope Co., has personal knowledge of the recent development of aviation, and owns a notable collection of aeronautic literature. This article is an expansion of his talk on "Aeronautics in New York State," given at Cooperstown on Thursday evening, July 13, 1961, during the association's seminars.

He contributed a chapter about "Aviation in Long Island" to volume II of "Long Island, A History of Two Great Counties, Nassau and Suffolk," edited by Paul Bailey (Lewis Historical Publishing Co., 1949); the chapter was reprinted, with a few changes in a 42-page separate publication (by the Long Island Forum, Amityville, Long Island, November 1950).

a hundred ascensions he becomes quite lyrical. His journal states: "Many, many beautiful and magnificent scenes have I witnessed, but this surpasses all. The vastness of the scene, extending nearly 100 miles each way, beautifully interspersed with lakes; the innumerable villages, many of them glittering with silvery domes—the thousands of variegated grass-plats; the golden tinge of the waving grain fields; the glossy surfaces of the lakes dazzling in the sunbeams so completely absorbed my mind, that when I looked at my watch I found that I had been aloft 1 hour and 10 minutes."

For the next few decades ballooning fell back into its only profitable field, that of entertainment, such as spectacular ascents at county fairs. Even in this field, one of the most active centers was in the little New York town of Frankfort, in the Mohawk Valley. Here, Carl E. Myers operated what he called "The Balloon Farm." This chapter, almost lost to history, has a romance all its own.[2] Carl Myers and his wife "Carlotta," undertook any and all phases of ballooning, and handled them all with great competence. They advertised: "Hydrogen-tight Balloons, Buoyant Airships of all sizes built at short notice.—Balloon Farm, Frankfort, N.Y.—The only Aeronautical Institute in America."

Myers had built his first balloon in 1878, and during the 1880's he supplied balloons throughout the United States. In 1891 his business had increased to the point where he built 60 balloons in 60 days. Many new techniques were developed both in production and in operation. One, of which he was most proud, he describes: "My car is a platform of thin layers of cross-laid veneer forming the bottom of a hammock-netting bag supported at its upper rim by a hollow metal ring. This platform serves as an inclined plane or rudder to partly guide the balloon's rise or fall toward any given point, as the aeronaut readily depresses any edge of it by placing his weight upon it. This feature, patented by my wife Carlotta, has been made great use of by her in ascensions outnumbering those of all other aeronauts combined in this country during the past 12 years."

The story of Curtiss and the Aerial Experiment Association has often been told, so the details need not be repeated. On March 8, 1908, their first successful flight was made from the ice of Lake Keuka. The distance covered was 319 feet. By May of the same year they had constructed their second airplane. They named it the *White Wing*. On May 22 Glenn Curtiss flew this airplane a distance of 1,017 feet. They were now making rapid progress. Two months later they had their third airplane ready to fly. It was christened the *June Bug*. On July 4, 1908, Glenn Curtiss flew this airplane for over a mile on a straight measured course. Official witnesses had come up from New York City to see the flight, and an official record of 39 miles an hour was established.

There was now so much interest in the possibilities of flying that a group of enthusiastic young men in New York City, all with plans for building their own machines, organized the New York Aeronautic Society and selected the old deserted Morris Park Race Track in the Bronx as their base of operations. On election day, November 3, 1908, this group courageously put on an "air show," but their enthusiasm far outran their ability to perform. It was reported that 20,000 spectators came to see the show, but most of them climbed through holes in the old race track fence, so "the gate" was not so large as anticipated.

There were at least half a dozen flying machines of various queer types on exhibition, but, as one of the newspapers reported, "none of the apparatuses flew." A Mr. Lesh, however, went up in a glider, towed by an automobile, but a gust of wind upset him and he crashed, breaking his ankle. The day ended with motorcycle races. Aviation was still a most uncertain entertainment.

During the next year, even though there were about 20 airplanes in various stages of construction, the members at the Morris Park Volery decided to pool enough money to buy at least one machine that they could be sure would fly. They didn't have to go far. A committee went up to Hammondsport and called on Glenn Curtiss. Curtiss was so surprised and pleased at the appearance of a bona fide customer for an airplane, that he said he would design and build a new plane for them, and would come down himself to Morris Park to teach them how to fly. Thus was closed the sale of the first civilian plane in America.

In June 1909 the new airplane was delivered, and Curtiss came down to demonstrate it. He made several short flights at the racetrack. The machine was accepted and named *The Gold Bug*, but the Bronx was no place for aviation. It was suggested that they look out on Long Island for a nice flat place. Curtiss and a group of members drove out to Mineola. There they were entranced by the Hempstead Plains, miles of treeless, grass covered, level land. Curtiss picked a large field near the Mineola fair grounds and said: "This is the place."

These were indeed prophetic words, as the Hempstead plains became the center of aviation activities from that day on for the next 30 years. In fact, so much of the history of flight sprang from these plains that Long Island came to be known as the cradle of aviation. Our reporter will not need to travel much for quite a while. He has a ringside seat.

Curtiss was so pleased with this new location that he thought he would try to win the Scientific American prize for a flight of 25 miles. So on the morning of July 7, 1909, Curtiss made the flight. To witness this through the eyes of an old Long Islander, the following story is quoted from the reminiscences of Valentine W. Smith, of Far Rockaway:

"I recollect an early morning in the summer of 1909, before any wind would be likely to arise, Mrs. Smith and I drove to Mineola to see Glenn Curtiss attempt to fly an airplane. This airplane looked like an enlarged box kite. The driver's seat projected out in front and the engine with the propeller, was at the back. It was an ideal morning with no wind stirring, and at sunrise Mr. Curtiss wheeled the machine to the east side of the fair grounds, and went up a little higher than the tree tops, and circled around for half an hour. At the end of that time the airplane fairly collapsed from the excessive strain, but he had remained in the air just long enough to win the prize of $10,000."

Those circus days of aviation, though thrilling, hardly increased the practical use of the airplane; in fact, they were a deterrent. Airplanes were treacherous and unstable, flyers were daredevils trying to earn a living by stunts. The combination was tragic, and by 1913 most of the well-known flyers, including Johnston, Hoxsey, and Beachey, had been killed.

Even the progress of the aviation section of the Signal Corps was surprisingly slow during these years. World War I had started in Europe and still neither our Army nor Congress realized the importance of military aviation. When the United States entered the war on April 6, 1917, almost 3 years after it started, our air force consisted of only 25 qualified pilots, 55 airplanes, and 4 flying schools. One of these schools was at Mineola.

The New York National Guard had organized an aviation unit at this field in 1915. A year later the unit was taken over by Col. Walter Glenn Kilner as a part of the U.S. Army Aviation Section. Under this officer a fine squadron of flyers was trained. When the United States declared war, it was one of the few squadrons which we had ready to go abroad to fight. It included sons of many prominent New York and Long Island families. Among them was Quentin Roosevelt, son of Theodore Roosevelt of Oyster Bay. He was one of the first American-trained pilots to fly over the enemy lines in France. He was shot down on July 14, 1918. Soon after that the name of the Mineola Field was changed to Roosevelt Field in his honor. As Roosevelt Field it has had a remarkable history, both in war and in peace.

During these war years, the Curtiss Airplane Co. outgrew Hammondsport and moved to Buffalo where a large plant was erected. From this plant issued many hundreds of the famous JN training planes, familiarly known as "Jennies," in which all the American flyers were trained.

But Glenn Curtiss, true to his pioneering spirit, was not interested in the production activities of the big Buffalo plant, so he went down to Garden City and set up a small plant where he could carry out experimental projects. There he started on a secret development for the Navy. The plan was to design a large three-engine flying boat capable of flying across the Atlantic Ocean. It was to be made in quantities and was to be a big surprise to the Germans.

In addition to the large flying boat, Curtis was also working on another secret Navy project which involved the smallest airplane yet made. This second project was the "Aerial Torpedo," a weapon conceived by Lawrence Sperry, son of Elmer A. Sperry, founder of the Sperry Gyroscope Co. of Brooklyn. Lawrence and his father had developed a gyroscopic stabilizer for airplanes in 1914, and with it Lawrence had won a prize in France just before World War I started. But in the rough and tumble of wartime flying, which had quickly become a deadly game of tag, a stabilizer was the last thing a pilot wanted.

Instead of abandoning the development, however, it became one of the secret projects of the Navy. It was to be an unmanned airplane, guided only by gyros and carrying a load of high explosives, in place of the aviator. Curtiss built the small plane and Sperry built the gyro controls. At a secret field near Amityville, L.I., Lawrence successfully tested this first guided missile, launching it out over the ocean. It had a range of 80 miles. The armistice came before the project was completed, and it was brought to a close and filed away in the Navy archives, without being made public. To New York, however, goes the credit for the first guided missile in the world, although it was 25 years, or one world war, ahead of its time.

The big Curtiss airplane project had better luck. Although not completed at the time of the armistice, the Navy decided not to stop work on the transatlantic project. So in the spring of 1919 three of the big flying boats were assembled at the Naval Air Station at Rockaway Beach. On May 8th the NC 1, NC 3, and NC 4 took off from Jamaica Bay on the first leg and flew to Newfoundland. Two dropped out because of mechanical troubles, but the NC 4 continued to the Azores, then to Lisbon, and finally to Plymouth, England. Lieutenant Commander Read and his crew had flown a total of 4514 miles, completing the first transatlantic airplane flight from the United States to Europe.

At the end of this same year Raymond Orteig, of New York and Paris, inspired by this accomplishment, offered a prize of $25,000 for the first non-stop flight between New York and Paris. The offer stirred no excitement. The feat was considered impossible, and the offer was soon forgotten. Progress

[2] Mr. Bassett is at work on an article, to be published in a future issue of New York History, about Mr. and Mrs. Myers and "The Balloon Farm."

was in other directions. The Post Office Department inaugurated air mail service from New York to Washington, Chicago, and Boston; the first flights were from Belmont Park and from Roosevelt Field.

New speed and distance records were made every few months. In the early dawn of June 23, 1924, one of the longest days of the year, Lt. Russell Maughan took off from Mitchel Field, Long Island, in a Curtiss pursuit plane which had been built and especially groomed at the Garden City Curtiss plant. He raced the sun across the continent and landed at San Francisco in the late twilight of the same day. The elapsed time was 21 hours and 44 minutes. The flight was known as "the dawn to dusk flight."

In the fall of 1926 Capt. René Fonck, the great French war ace, came to Roosevelt Field with his large biplane and a crew of three. He announced his plan to fly nonstop to Paris in an attempt to win the Orteig prize. On September 15, with a heavy load of gas, the attempt was made. The plane was overloaded. It roared down the runway but could not get off. It crashed at the far end and burst into flames. Captain Fonck and Lieutenant Curtin survived but the other two crew members were killed.

Even though this attempt failed, it called attention to the fact that the nonstop transatlantic flight, though still a gamble, was no longer a fantastic idea. Plans were being made on both sides of the Atlantic. At Roosevelt Field, Comdr. Richard Byrd was preparing his big trimotor airplane, the *America*. He had gathered a competent crew, and his preparations were thorough and painstaking. Clarence Chamberlain was also at Roosevelt Field, experimenting with a new Bellanca airplane owned by Mr. Charles Levine. Chamberlain and Bert Acosta took this airplane up from Roosevelt Field one spring day and flew back and forth over Long Island, for 2 days. When they landed they had established a world's endurance record of 51 hours and 11 minutes. This performance convinced Mr. Levine that his Bellanca could win the Orteig prize, so he had Chamberlain make preparations for the great attempt.

With so much stirring on both sides of the Atlantic, public interest was rising to a high pitch. The month of May 1927 brought real drama, probably the greatest in the history of aviation. On May 7 two Frenchmen, Nungesser and Coli, took off from Paris and started across the ocean. There were days of suspense. No trace of the French flyers was ever found. At Roosevelt Field final preparations were being made by both Byrd and Chamberlain. On May 10, however, there was unexpected news. A young mail pilot by the name of Charles A. Lindbergh was flying eastward from San Diego, Calif., in a new Ryan monoplane named the *Spirit of St. Louis*. Lindbergh stopped at St. Louis overnight so that his sponsors might have a look at his shiny new ship. Then he flew on and landed at Roosevelt Field. He modestly announced that he was going to fly on to Paris.

With no crew or mechanics he quietly checked over his airplane, spent the nights in the nearby Garden City Hotel, and kept in daily, almost hourly, touch with Dr. Kimball, the New York City weatherman. For several days the reports were very bad, but on May 19, even though it was raining hard, Lindbergh learned from Dr. Kimball that the weather over the Atlantic was improving. With no hesitation Lindbergh decided to go, even though Dr. Kimball did not recommend it. He was at the field before daybreak. It was overcast and still raining. The field was soaking wet. The plane was towed to the extreme west end of the field, and at 7:52 a.m. he took off into the gray eastern sky.

Somehow the whole setting of the unknown youngster taking off alone with so much confidence and so little show, where war aces and famous pilots had failed, and where others were still busy with their elaborate preparations, electrified the world. There were hours of charged suspense, and then the news: Lindbergh had landed at Le Bourget Airport after 33 hours and 30 minutes of flying. He was greeted by a huge and wildly enthusiastic crowd.

In the succeeding days he was cheered and feted and written about until even the statesmen of Europe and America considered it a phenomenon. The U.S. Government rose to the occasion when President Coolidge ordered the cruiser U.S.S. *Memphis* to bring the flyer home in triumph. The reverberations of Lindbergh's flight lasted several years and had a tremendous effect in advancing aviation.

Long Island continued to be the springboard from which many other long-range flights started, both over the continent and over the ocean, but nothing sensational occurred for several years. Failures and accidents were all too frequent. The reason became apparent.

The problem of blind flying had to be solved before further progress could be made. More than fair weather flying was necessary for keeping air mail on schedule, or for making long-distance flights reliable. If aviation was to become independent of weather, blind flying techniques would have to be greatly improved.

The problem was being worked on in many parts of the world, but our New York reporter will not need to move, for the solution was achieved by a remarkable piece of teamwork right on Long Island. Harry F. Guggenheim established a project, through the Guggenheim Fund for the Promotion of Aeronautics, to make a thorough study of blind flying and blind landing. Mitchel Field was selected as the place to carry on the experiments, and Lt. James H. Doolittle was put in charge of the project. New instruments had to be developed. Doolittle did not have to go far. There was the Sperry Gyroscope Co. of Brooklyn, the first company in this country to make airplane instruments. There was the Pioneer Instrument Co., of Brooklyn, founded in 1919, which had built up the largest airplane instrument business in the country. There was Paul Kollsman of Elmhurst, Long Island, who knew how to build the most sensitive altimeter. Doolittle worked with all three, and by the summer of 1929 he had a small airplane equipped with a very special set of instruments. Among them were two entirely new instruments: the gyro horizon and directional gyro. These were developed by Elmer A. Sperry, Jr., working closely with Lieutenant Doolittle.

With that set of instruments and his radio direction finder Doolittle was ready to make a new kind of pioneering flight. The plane had a canvass hood which he could draw over the cockpit so that he could see nothing outside, but had to depend entirely on his instruments.

On September 24, 1929, with only a small group of engineers as spectators, Doolittle climbed into his plane, drew the hood over the cockpit, and took off on the first all-blind flight in history. He climbed steadily out of Mitchel Field, made a wide turn, and flew downwind several miles; then he turned toward the field and carefully let down on a long slanting approach, using only his radio direction finder and his flight instruments. It was a long minute both for him and for the observers, as he cautiously felt for the ground as the plane flew over the field at only a few feet elevation. Finally the wheels touched and he rolled to a stop. A new chapter in aviation had been started.

The availability of the new blind instruments soon brought a second wave of spectacular long-distance flights. It started in June 1931 with a white Lockheed airplane named the *Winnie Mae*. Wiley Post, a sturdy pilot from Oklahoma, and Harold Gatty, an experienced navigator from Australia, equipped their plane with the new blind-flying instruments. Their plan was to fly around the world. They took off from Roosevelt Field early in the morning of June 23. For the next week newspapers traced their progress across Europe, Russia, Siberia, Alaska, and back to Roosevelt Field, where they landed at 8:47 p.m. on July 1. They had completed the trip in only 8 days, 15 hours, 51 minutes, and had traveled 15,128 miles. It was a splendid record, and many believed it would hold for some years.

Before the end of that same month, Russell Boardman and John Polando took off from Long Island and flew, nonstop, to Istanbul, Turkey, a distance of 5,011 miles, a new nonstop record. Clyde Pangborn and Hugh Herndon took off on the same day in an attempt to break the record of the *Winnie Mae*. They got as far as Japan where they were arrested for flying over a Japanese fortification.

In June 1933 James Mattern tried to break the Post and Gatty record, but had a forced landing in the wilds of Siberia, and was rescued days later, nearly starved, in the uninhabited country. The biggest surprise of the year 1933 was Wiley Post himself. Not content with his previous exploit, he wanted to try it again, this time alone.

The greatest problem was the element of human endurance. He knew that, at the Sperry Gyroscope Co., in Brooklyn, a new design of an automatic pilot was almost perfected. If he could have that as his copilot, he could do the trick. It was finally arranged, and the first model of the modern automatic gyro pilot was installed on the *Winnie Mae*. After careful tests, Wiley was ready to take off. On the morning of July 15, 1933, he started from Floyd Bennett Field with only a few friends and well-wishers to see him off. He encountered all kinds of weather, but with the automatic pilot as relief, he kept pushing ahead at a terrific pace, with a minimum time spent on the ground to refuel and catch some sleep. Wiley even found that on the stretches where the weather was good, he could take short naps while the automatic pilot kept him steadied on his course. During the evening of July 21, Post's progress on his final dash across the United States from Alaska was broadcast hourly, and thousands drove to Floyd Bennett Field from miles around to witness his arrival. At 1 minute before midnight he landed and rolled to a stop, amid floodlights and police desperately trying to hold back the crowds. As Wiley climbed out, he was greeted with the greatest ovation ever given to a flyer in this country. He had made a new record of 7 days, 18 hours, and 49 minutes.

Then, on December 7, 1941, came Pearl Harbor, and this country was precipitated into World War II. Much had been learned, however, since the First World War. It was now recognized that strong airpower was essential. Less than a month after Pearl Harbor President Roosevelt requested Congress to make appropriations for the production of 185,000 airplanes. It seemed an impossible goal. Production had to start with the best designs available, as there was no time to develop new ones.

New York State was in a most fortunate position to play a vital part in the great effort. The Bell Aircraft Co., of Buffalo, the Grumman Aircraft Engineering Co., of Bethpage, and the Republic Aviation Corp., of Farmingdale, each had just completed the development of a new fighter plane: Grumman for the Navy, Bell and Republic for the Army. All expanded rapidly and went into large production. Their output made history.

The Grumman F4F, better known as the Wildcat, was the mainstay of the Navy, and acquired a worldwide reputation for toughness and high performance. Before the end of the war it was joined by the Hellcat, and

the Tiger Cat, both improved models. By the war's end Grumman had produced 17,000 fighter planes of the "cat" family, and they had gained the reputation of being the greatest of Navy fighters.

All in all, New York State played a major part in the national production of fighter planes during the war.

In 1946 all three companies brought out jet fighters to supersede the wartime planes, and the familiar throb of the propellers was soon replaced by the new roar of jets.

By 1947 the aeronautical world was talking about a new obstacle in the path of progress—the sonic barrier. Could a manned airplane fly faster than the speed of sound? An attempt had been made in England, which had ended in disaster. Just at the sonic speed the airplane had shaken itself to pieces, hence the imaginary barrier. Lawrence Bell, president of the Bell Aircraft Co., undertook to build a needle-nosed, rocket-propelled, experimental airplane which would break the sonic barrier. It was called the XS-1. In the fall of 1947 it was taken out to the Mojave Desert, in California, where it was carried aloft strapped under the belly of a big bombing airplane. When cut loose from the bomber, the test pilot, Charles Yeager, turned on his rocket engine and flew the XS-1 faster than the speed of sound. So even the last barrier of aeronautics was broken by a New York product, and this should bring us near the end of our story.

Let our reporter end the story in the busiest place he can find in New York State. In the same year that Yeager flew alone into the region of supersonic speeds, LaGuardia Airport was handling over 3 million air passengers. Over 100,000 of them were transatlantic travelers. The airport was saturated. Fortunately on Jamaica Bay, only 10 miles away, an even greater airport was in the making.

On July 31, 1948, President Truman dedicated Idlewild Airport, which immediately became the terminus of both transatlantic and transcontinental flights. It has grown steadily with the great increase in air travel, and in the last few years has expanded its facilities so that it can handle the traffic of the great jet airliners of all nations, as they arrive from and depart to all parts of the world.

It is here, in the luxurious passenger waiting rooms of the New York International Airport, that our reporter can fittingly end his story. Here thousands of experienced and somewhat blase air travelers from all nations come and go every day with comfort and speed unimagined even by their parents. What a thrill it would be to John Wise to see this vast operation going on only 6 miles from the old Capitoline grounds in Brooklyn, where only 90 years before Donaldson made the first ill-starred attempt to introduce transoceanic air travel.

STRIP MINING RESEARCH

Mr. COOPER. Mr. President, on June 12, the Senate passed the appropriations bill for the Department of the Interior and related agencies. Included was $200,000 for an expanded research program on restoration of strip-mined land in the Appalachian region. I had urged inclusion of this sum before the Appropriations Committee and was glad the committee approved the enlargement of the program begun last year at the Berea, Ky., Forest Research Center, and that the Senate adopted this recommendation.

In conference, the $200,000 for increased strip-mining research was omitted. I do not know the reason for omission of the item, except that the funds were not included in the budget or in the bill as passed by the House. I know also that the budget had been prepared before the President sent his message to Congress urging a program of research and action to prevent despoilment caused by strip-mining practices.

It seems to me that the President's message, the record made in Senate hearings, and Senate approval of additional funds for strip-mining research, provide sound grounds for recommending that this work be included in the budget for next year.

At this time I ask unanimous consent to have an editorial dealing with this subject, which appeared in the Louisville Courier-Journal on August 7, inserted in the RECORD. It well points out the need for Congress to exercise responsibility in helping to restore natural resources destroyed by strip mining.

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

THE NATION GETS THE STRIP COAL, KENTUCKY THE STRIPPED LAND

Kentucky took a low blow last week when a House-Senate conference approved $3,450,000 for coal research but cut out the $200,000 asked by Senator JOHN COOPER for the Strip Mine Research Center at Berea. If Congress can spend dollars to find new uses for coal, it should be able to find pennies to correct the damage done by the mining of it. Otherwise, the Nation gets the coal and Kentucky pays the price in strip-mine damage.

The conference action can be blamed partly on the lopsided hearings held on the subject, hearings so dominated by industry spokesmen as to be immediately suspect. No outstanding critic of strip mining was called. Agronomists, some associated with coal companies, blithely assured committee members that the industry already knows all that is necessary to reclaim strip-mined land, and that the whole thing is not much of a problem.

This is not so. Agronomists with experience only in flat or rolling country such as that of Western Kentucky, Indiana or Illinois, are totally unqualified to deal with the problems involved in mountainside stripping, which constitutes Kentucky's toughest reclamation problem. Very little is known, actually, about the damage done by such strip mining or how to correct it. What few studies have been made show only that a lot of study is needed.

And it is needed now. Thousands of new acres of hillside land are being stripped every year and other thousands covered by spoil-banks of dirt thrown down the mountainside by the strippers in order to reach the coal. Unless ways are found to keep this earth, often highly acid, from washing down into the valleys and the streams below, the damage may be irreparable.

PROGRESS AFTER A SLOW START

The department of conservation, after a somewhat stormy start, is getting good cooperation from most strip operators, and from the Kentucky Conservation Association, an organization created by coal firms to encourage voluntary conservation by mine operators. Some operators are doing more toward reclaiming strip sites than is required in the law, but like the conservation department workers, they are handicapped by not knowing the best procedures in each case.

Assistant Commissioner of Conservation in Charge of Strip Mining Robert Montgomery believes that control of strip-mine damage depends on two factors: (1) efficient control of water on the site, especially the water that runs down the spoilbanks, and (2) prompt and proper planting of the spoilbanks to prevent them from slipping and eroding. Unless water from the bench (the flat surface cleared for access to the coal seam) is handled correctly, it will undermine the spoilbank and force it to slip downhill in mud waves. But it is hard to say whether, on a specific site, it is better to impound water on the bench, tile it across the spoilbank or try to carry it past the spoilbank by ditching along access roads. Similarly, it is hard to know what kind of planting will check surface erosion on the spoilbank and give tree seedlings time to grow. Grasses that flourish on one strip site may fail completely to grow on another site a mile away.

Not that strip-mine experiments and studies are not being made. The department of conservation is carrying on as extensive experimental work as its budget will permit. The Kentucky Conservation Association, in its work with operators, is gathering valuable data from efforts of the individual strip miners. The Interior Department is planning a test reclamation project in eastern Kentucky, and the Tennessee Valley Authority says it is willing to cooperate in such studies. The Berea Strip Mine Research Center also conducts limited studies on its $24,000 annual budget.

WE PAY THE BILL

But none of these has the money or men to carry on the broad and accelerated research program needed. Nor do they have either the means or the responsibility of reclaiming the thousands of acres stripped and left to erode before the present strip-mine control law was passed. As a result, whole areas of barren hillside are being left to erode and wash down into the valleys and streams of eastern Kentucky, to cause poisonous silting and future flooding. Other thousands of acres may contribute to this damage by the failure of strip operators to know when, how and what to do with their strip sites.

Had the Berea Research Center been given the funds requested by Senator COOPER, it might have coordinated the various efforts being made to learn about strip-mine control; it might have standardized reclamation practices and disseminated this vital information to strip operators. It might have undertaken reclamation of the abandoned stripped land in eastern Kentucky. The shortsighted penny-pinching of Congress has instead handed the job, and the cost of the damage, to the taxpayers of Kentucky.

CAN FREEMEN PREVAIL?

Mr. COOPER. Mr. President, at the annual Law Honor Banquet this year, the distinguished dean of the Notre Dame Law School, Dr. Joseph O'Meara, introducing the president of the American Bar Association, had some comments which are so pertinent and appropriate to the times and our duties that I think they would be of interest to other Senators.

Mr. President, I ask unanimous consent to have in the body of the RECORD Dean O'Meara's remarks.

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

REMARKS BY DEAN JOSEPH O'MEARA

At the conclusion of a 2-day conference on "How Freemen Can Prevail," Columnist Edgar Ansel Mowrer declared: "I came here thinking that freemen could prevail, and I go back certain that they can. Unhappily, I am not sure that they will."

Before I finish I will have a brief comment on Mr. Mowrer's grim uncertainty.

The overriding necessity of holding on to sanity precludes belief, perhaps, in a coming nuclear catastrophe. We have to go on about our business; it is imperative that we do so. We cannot forget, though, the words of Lord Acton: "Power tends to expand indefinitely, and will transcend all barriers, abroad and at home, until met by superior forces."

And we would do well to remember the fate of the inhabitants of Hispaniola (now known as Watling's Island or San Salvador) where Columbus first landed in the New World:

"Of the original natives, estimated by a modern ethnologist at 300,000 in number (when the Spaniards arrived in 1492) one-third were killed off between 1494 and 1496. By 1508 an enumeration showed only 60,000 alive. Four years later that number was reduced by two-thirds; and in 1548 Oviedo doubted whether 500 Indians remained. Today the blood of the Tainos only exists mingled with that of the more docile and laborious African Negroes who were imported to do the work that they could not and would not perform.

"The fate of this gentle and almost defenseless people," continues Professor Morrison, "offers a terrible example to Americans who fancy that they will be allowed to live in peace by people overseas who covet what they have."

I do not mean to be a prophet of nuclear doom. There are other ways of overwhelming us than by nuclear assault and the Communists are well aware of it. If we are being told the truth, America is still ahead militarily. On the economic front, however, there are signs that we are losing. Recently Walter Lippmann wrote of "the grinding reality of our declining industrial supremacy." As to this the Nation appears indifferent, perhaps for want of understanding the peril. On the other hand, according to an experienced observer of Soviet affairs, Khrushchev "appears to have great faith in the potentialities of economic power. It is a subject to which he often refers. At the 21st Congress of the Soviet Communist Party, he declared that the international situation would change radically when the Soviet Union becomes the leading industrial power, when the Communist bloc produces more than half the world's industrial output." There is support for this assessment of the situation in a recent address by Mr. Henry Shapiro, for 25 years Moscow bureau chief for United Press International:

"The present generation of [Soviet] leaders—many of them in their forties—have been trained in economics, engineering and industrial management. Their whole careers are based on ability to produce."

This is present-day Russia's grand design for the triumph of communism—to outproduce the West, to surpass us industrially.

How are we responding to the challenge? I referred last year to Admiral Rickover's assertion that "life without effort appears to be our national goal". This is selling out to the enemy for, as the admiral has pointed out, "everything we do either strengthens or weaken the coalition fighting to preserve its right to remain free." The electricians in New York who demanded a 25-hour week and the employers who granted it struck a major blow against freedom. Very likely it will be followed by other and even greater blows. Thus we are told that a campaign is now under way to obtain a 25-hour week for all union members in New York. If that campaign succeeds, the infection will spread across the country, costs and prices will continue to rise, and we will cease to be competitive. We may as well surrender to the Communists and be done with it.

"When the strong man, fully armed, guards his courtyard, his property is undisturbed. But if one stronger than he attacks and overcomes him, he will take away all his weapons that he relied upon and will divide his spoils." Nuclear superiority, if we have it, is not enough; it will not save us if the enemy becomes stronger industrially—and psychologically. After all, why should the Communists take the risk of nuclear war so long as there is good prospect of winning by surpassing us industrially? And they are working to surpass us. As Barbara Ward has pointed out:

"The amount of effort, interest, preparation, and sheer slogging hard work which the Communists tend to put into the task of building their version of world order very greatly exceeds what we are ready to do or the sacrifices we are prepared to make."

"Somehow," says General Hershey, "we've got to get ourselves tough enough to fight for the things we believe in." But the question, I think, is whether we still believe in them. "People need something to believe in," remarked a London dealer in charms and amulets, whose business is said to be prospering. Is this not simply another manifestation of the decay of Western man's belief in the values which made him what he is?

Unless we believe in staying free and therefore in staying strong, we will not have the will to win the cold war. And without the will to win we are already undone.

What is too little understood is that this is a time of crisis. Perhaps the most fateful decision in history is waiting to be made, that is, whether to press on for shorter hours, less work, and greater ease, or, in the words of Colonel Glenn, "to take the dare of the future" and go back to work. If we choose the former alternative we will decay and founder, as the Greeks and Romans did and as the Communists fully expect us to do, leaving the world to them.

In the address he is about to deliver, the distinguished president of the American Bar Association, Mr. John C. Satterfield, will say—and will say truly—that the Communists will bury themselves—if we help them. But will we help them or will we, instead, insist on helping them to bury us? Like Mr. Mowrer, I am not at all sure which it will be.

ORDER OF BUSINESS

Mr. KEATING. Mr. President, if I may have the attention of the majority leader, I have a speech of about 10 minutes which I am prepared to deliver now, but I do not want to interrupt other Senators.

Mr. MANSFIELD. Mr. President, in view of the unusual circumstances, I ask unanimous consent that the Senator from New York, if his colleague [Mr. JAVITS] will agree, may continue for 10 additional minutes.

The PRESIDING OFFICER (Mr. SPARKMAN in the chair). Is there objection? Without objection, it is so ordered.

THE NOMINATION OF IRVING BEN COOPER TO BE A U.S. JUDGE

Mr. KEATING. Mr. President, a special subcommittee of the Senate Committee on the Judiciary recently concluded extensive hearings on the nomination of Judge Irving Ben Cooper to be a judge of the U.S. District Court for the Southern District of New York.

The task of determining whether to support or oppose this nomination is one of the most difficult I have ever faced.

It has always been my position that every reasonable presumption should be indulged in favor of a Presidential appointment. However, there is a difference in reviewing the qualifications of a candidate for an executive post and a candidate for judicial office. In the normal course, department and agency heads do not serve beyond the administration by which they are selected. A Federal judge, on the other hand, serves for life and once confirmed is virtually beyond the reach of either the Chief Executive or the Congress. Our mistakes in such cases are not subject to easy correction and can plague the processes of justice long after the President's term expires and our Senate service is at an end.

For many years, Presidents and Attorneys General of both political parties have established the custom of consulting with the American Bar Association Committee on the Federal Judiciary with regard to prospective nominees. This ABA committee has earned an outstanding reputation for fairness and objectivity. It performs its work in a thorough and completely professional manner, entirely as a public service. I believe wholeheartedly in the function of this ABA committee and would not want to do anything which would undermine its efforts or indicate a lack of confidence in its judgment.

Indeed, at a time when the President has the power to appoint almost one-third of all the members of the Federal judiciary, we can profit greatly from the ABA's investigations and recommendations. The pressures on the President and the limited time and investigative facilities of the Senate make it imperative that the ABA committee be able to function effectively and with the knowledge that it has our full confidence. The ABA committee on the Federal judiciary has an overwhelming burden and it will be difficult for it to maintain the high standards it has established for Federal judges if we discredit its work too readily and view with unjustified suspicion its considered and frank advice.

In this case the judgment of the ABA committee is buttressed by the unfavorable recommendations of the responsible committees of two of the bar associations in the area in which the nominee would serve—the Association of the Bar of the City of New York and the New York County Lawyers Association. These are both outstanding organizations led by some of the most respected lawyers in the Nation. There is no evidence that their opposition to the nominee is based on any personal considerations. On the contrary, it is obvious that they have been motivated entirely by a desire to safeguard our Federal courts and have been extremely conscientious in reviewing the available evidence and information. We owe these associations an expression of deep appreciation for their efforts.

It takes great courage for any active lawyer to appear in opposition to a judicial nominee, particularly a nominee who is already sitting under a recess appointment. The witnesses who have testified in opposition to confirmation have set an excellent example and it would be splendid if we received similar cooperation from members of the bar and the public whenever we were confronted

with the difficult questions this case presents. My judgment, after weighing all the evidence, is in no sense a reflection on the veracity or integrity of the men and women who at considerable personal inconvenience have come to Washington to provide us with the benefit of their testimony and opinions. On the contrary, the Committee on the Judiciary should, in my judgment, consider itself very much in their debt.

It is important to note that no one has challenged the character or the integrity of Judge Cooper. While some question has been raised about his experience, this has not been given great emphasis, and it is obvious that the nominee, in fact, has had considerable judicial experience and has participated in many important legal assignments. It is true that most of this experience before his appointment to the district court has been in the field of the criminal law. Appointments to the Federal judiciary have never been limited, however, to lawyers who have had occasion to deal in their practice or other professional work with all of the intricate and varied problems with which a Federal judge may be confronted. The only relevant inquiry in this respect is whether the nominee has exhibited the capacity for understanding and coping with these problems.

In this case, we need not speculate on this question since Chief Judge Ryan, under whom Judge Cooper has been serving for 10 months on the Federal court, has advised the committee that Judge Cooper's work on the court has been excellent. This appraisal has been borne out by a survey conducted by the Judiciary Committee of the New York State Association of Trial Lawyers among all the lawyers who have appeared before Judge Cooper since his appointment to the district court. Not one of these lawyers expressed any criticism of his performance while a substantial number praised his work in very high terms. The bar associations' brief in opposition to confirmation does not press the point of lack of judicial experience, and in my judgment the nominee's past experience and work on the Federal court to date leave no doubt as to his ability to deal competently with the cases which will come before him as a Federal judge.

The main burden of the charge against Judge Cooper is that he lacks judicial temperament. Most of the testimony adverse to the witness has related to incidents during his service on the court of special sessions in New York City.

There is some conflict in the testimony with regard to these incidents and considerable difference between the nominee and the witnesses as to their interpretation. For the most part, however, they are explained on the basis of the incredible pressures and problems confronting any attempt to administer justice in the confused, tumultuous, and sometimes chaotic conditions prevailing in this court. What appear to some witnesses to be signs of arrogance, impatience, and rudeness on the part of Judge Cooper, are considered by others merely as a reflection of a determined attempt to maintain a proper judicial decorum and atmosphere under the most trying circumstances.

It is apparent that Judge Cooper offended many by his actions, but many others, who appeared before him frequently, have testified in the highest terms of his sincerity, of his courtesy, and most important of his success in altering the jungle-like atmosphere which existed before his appointment as chief justice. Obviously, the easy course always is to accept conditions as they are and to avoid clashes with the existing order. Judge Cooper could not tolerate the status quo and this is to his credit. This does not justify any rude outbursts, but it does require that these lapses from propriety be weighed against the judge's passionate desire for improvement. Not a single witness before the committee questioned Judge Cooper's motivations. On the other hand, many witnesses applauded the important contribution he made to the work of his court during his service as chief justice.

No one can fairly disregard the commendations which Judge Cooper has received during his lifetime of public service. The district attorney of New York County during Judge Cooper's 22-year tenure on the court of special sessions was the highly respected Frank S. Hogan. His office appeared in thousands of cases in Judge Cooper's court during this period. In a letter to the Attorney General while Judge Cooper's name was under consideration for the Federal court, District Attorney Hogan stated:

> Judge Cooper has devoted a long and distinguished legal career to public service. It constitutes an outstanding contribution to law enforcement and the administration of justice. * * * My office prosecutes about 25,000 misdemeanor cases in the court of special sessions. We can give testimony with respect to the importance of that court and the outstanding part played by Chief Justice Cooper in raising that tribunal to its present level of efficiency and esteem. This degree of excellence could not have been achieved without the tireless guidance, the sure direction and the superior administrative ability of the chief justice.

Mr. President, the court of special sessions is under the supervision of the appellate division of the supreme court in New York. The presiding justice of the appellate division during most of the period Judge Cooper was chief justice of the court of special sessions was the Honorable David W. Peck, one of the most highly respected members of the New York bench and bar for many decades. In his letter to the Attorney General he stated:

> Certainly Judge Cooper is one of the most conscientious and industrious judges who ever held judicial office. As the head of a busy court with a heavy case load, he kept the court abreast of its work and instilled a fine spirit of cooperation among the judges in meeting the tremendous demands upon the court. No only did Judge Cooper discharge his judicial and administrative duties with distinction, but he gave added attention to the development of auxiliary social services in his court, and maintained a helpful interest in the court system as a whole. His outstanding record is a reflection of great ability, unstinted effort, and tireless devotion to the administration of justice.

The presiding justice of the appellate division during Judge Cooper's last 3 years of service as chief justice of the court of special sessions, and still the presiding justice of this court, is the Honorable Bernard Botein. In his letter to the Attorney General recommending Judge Cooper for the Federal court, Judge Botein stated:

> It has been my good fortune to know Judge Cooper intimately for over 30 years; and I therefore have had a firsthand opportunity to appraise his conduct and qualifications as a practicing lawyer, as a special investigator, and as a judge. In all these areas he displayed outstanding legal ability, impeccable integrity, and a high sense of responsibility for the work to be performed. He has never been content with mere adequacy but has always thrown himself heart and soul into every job he undertook. More recently, in his former capacity as chief justice of the very important court of special sessions, Judge Cooper was a member of the departmental committee of the State judicial conference. This committee establishes policy and standards for the courts functioning in the city of New York. Judge Cooper was a knowledgeable, dedicated, and indefatigable member, who rendered invaluable service. Again, I speak from firsthand knowledge, as I am chairman of the departmental committee for the first department.

There are dozens of similar tributes from judges, lawyers, and others in the record of the committee's hearings, many of which were written without any reference to the pending nomination of Judge Cooper to the district court. He was, for example, repeatedly endorsed for reappointment to the court of special sessions by the Bar Association of the City of New York. In 1951, the association reported him well qualified for elevation to the position of chief justice of this court. In 1956, after he had been serving as chief justice for 5 years, the Association of the Bar of the City of New York recommended him as "outstandingly qualified" for appointment to a full term as chief justice. The New York County Lawyers Association likewise consistently praised Judge Cooper's qualifications. The report of its committee recommending him for elevation to chief justice stated:

> It is the opinion of the committee that Judge Cooper is exceptionally well fitted for appointment as chief justice of the court of special sessions. Such an appointment would transcend political considerations, and be a heartening assurance to the public, to the bench, and to the bar that merit, integrity, legal ability, and devotion to justice are being recognized as the only proper criterion for judicial advancement.

Mr. President, these sentiments were echoed by many witnesses who appeared before or communicated with the committee during its hearings on this nomination. My colleague [Mr. JAVITS], whose interest in the effective administration of justice is second to none, attested to Judge Cooper's "high integrity, devotion to duty, and ability" on the basis of his 25-year acquaintance with the nominee. Representative CELLER, the chairman of the House Committee on the Judiciary, who has known Judge Cooper for over 20 years, spoke eloquently of the nominee's "intelligence, perception, probity, experience, knowledge of the law, determination, forth-

rightness and humility." Similar praise of the nomination came from such men as Judge DeLuca and Judge Bayes, former chief justices of the court of special sessions, Judges Barshay, Hoffman, and Heller who served with Judge Cooper as associate justices of the court of special sessions, Judges Hecht and Greenbert, judges of the supreme court of New York, Judge Murrah, chief judge of the U.S. Court of Appeals for the 10th Circuit, who worked closely with Judge Cooper as chairman of the Advisory Council on Crime and Delinquency and many other State and Federal judges who had occasion to work with Judge Cooper in this field. In addition, the committee heard firsthand from a number of lawyers who appeared frequently before Judge Cooper such as Mrs. Mary Johnson Lowe, Robert P. Brown, Mrs. Frances E. Bilmes, and Gilbert Ramirez, all of whom had the highest praise for Judge Cooper's conduct and work in dealing with the enormous problems of the court of special sessions.

This testimony does not exonerate Judge Cooper's apparent lack of judicial temperament on a number of occasions. It does not raise any question as to the good faith of the bar associations in challenging his confirmation. It does not undermine in any way the effort of those who appeared against the nominee to contribute to the Committee on the Judiciary's proper performance of its responsibilities.

In any evaluation of a man's career and fitness for public office, however, his accomplishments must be measured against his lapses. Judge Cooper has devoted his life to public service. He has made a brilliant contribution to our understanding of the difficult problems of juvenile delinquency. He labored tirelessly for more than 20 years of his life to improve the procedures for dealing with youthful and other offenders of the Criminal Code. In the course of handling literally tens of thousands of cases over a period of more than 20 years he offended some, but won the unstinting and unqualified praise of many others. If we were dealing with a man who did not possess Judge Cooper's brilliance, or a man without Judge Cooper's record of public service, or a man without Judge Cooper's zealous dedication to duty, or a man whose character, integrity or ability was in question—his offenses against good conduct outlined in the committee's hearings might be fatal. But we cannot deal with a man's shortcomings in a vacuum. We would not be serving the cause of justice or be paying our proper respect to the initiative and determination which are frequently essential to reform and civic progress, if our perspective failed in this case.

The decisive factor in Judge Cooper's favor is the manner in which he has actually performed his duties in the 10 months since his recess appointment to the district court. Chief Judge Ryan, in the letter to the committee to which I have already referred, has advised us that since his recess appointment Judge Cooper has been "most industrious, cooperative and competent" and that the personnel of the court have found him to be "uniformly courteous and considerate." This estimate is confirmed by the survey conducted by the New York Association of Trial Lawyers, to which I have also previously referred, which produced results extremely favorable to the nominee. Not a single witness has contradicted this impressive evidence of Judge Cooper's completely satisfactory service on the Federal court. In the light of the record of these hearings, Judge Cooper was indeed fortunate in having an opportunity to demonstrate his qualifications for Federal judicial service by actually sitting on the Federal bench. To my mind, the evidence that he has passed this test with flying colors must outweigh any lingering doubts about his qualifications.

In conclusion, I would like to emphasize that the Senate has not been called upon in this case to select a nominee for the Federal district court but only to determine whether the nominee chosen by the President should be confirmed. In making this determination, we cannot delegate the difficult and delicate task of weighing all the evidence to any private organization, no matter how highly we esteem its work or weigh its conclusions. The evidence in this case might well have convinced the President that he should have rejected Judge Cooper's candidacy, but it is not sufficient to convince me that the President's decision should be vetoed by the Senate.

While I was not asked to advise with regard to this nomination, it is my judgment on the whole record that the President's nominee merits our consent and I shall vote for Judge Cooper's confirmation in the committee and in the Senate.

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

Mr. KEATING. I yield.

Mr. JAVITS. I have heard with the deepest satisfaction the statement made by my colleague from New York. I think he will be the first to attest that I have depended on him. I have known this nominee for a quarter of a century. I have made my views known to the committee. I knew my colleague would look at the question objectively. He obviously has, and with the customary thoroughness and scholarship that is typical of him. My colleague can understand the deep satisfaction and gratification I feel when he makes his statement, and evidences his own objective judgment.

I, too, believe that Judge Cooper's nomination should be confirmed by the Senate. I hope the confirmation will come at the earliest possible date. Certainly it must come during the present session. I hope, too, that my colleague will analyze the record for the whole Senate upon the occasion of the confirmation. I shall endeavor to do the same, adding to it such knowledge as I have personally of Judge Cooper over a quarter of a century.

Judge Cooper has been compared to Ben Lindsay, of Denver, the great judge in juvenile cases, who understood the adolescent mind so well. I agree with my colleague that one can only pay honor to our colleagues at the bar who spend so much time and effort in giving their judgment and in evaluating the evidence. But as is very well known of lawyers, all of us would die for the right of the other to decide objectively, even after all the evidence is in, and no matter how strongly we may feel about a particular side. Our colleagues have evidenced sincerity and diligence in fulfilling their duty. My colleague [Mr. KEATING] has truly said that we must make an objective judgment. He has made it. I am deeply gratified. I, too, have made it.

I shall consider it my duty, as he has considered it his, to lay the facts before the Senate when the question of the confirmation comes before the Senate, as I hope it will.

Mr. President, let us remember that Judge Cooper has been a judge for over 20 years. He is now 60 years of age. I liked so much what my colleague [Mr. KEATING] so clearly said. Certainly we do not wish to administer the coup de grace—the disgrace of denying Senate confirmation—to a man whose career has extended over 20 years of service to the people of the State of New York and, in my view, to the people of the Nation. He is a judge who still demonstrates, as he has in his conduct in the district court, the full plenitude of his powers.

Again I express not only my gratification but my association with my colleague. It has been one of the finest experiences of my life. If I needed any other confirmation, he has given it today.

Mr. KEATING. Mr. President, I thank my colleague very much for his gracious remarks.

LET'S HOPE CASTROISM IS ON THE WAY OUT

Mr. YOUNG of Ohio. Mr. President, let us hope that Castroism in Cuba is on the way out.

The Communist Dictator Fidel Castro is in trouble—deep trouble. Personally I am very glad that this unscrupulous tyrant is in difficulty with freedom-loving people in Cuba and throughout the entire Western Hemisphere. On the other hand, I am deeply sorry for the Cuban people—men, women, and children who were afflicted first with Batista, and now with Castro and his regime.

Evidence of the deep trouble that he is in is the fact that in Cuba, the land of the sugarcane—a land richly endowed by Almighty God—there is a shortage of sugar. Out of desperation, Castro and his Communist cronies have turned to their Russian and Chinese agricultural advisers for help. It seems ludicrous—ridiculous—that Castro, faced by unrest in his troubled country, should ask officials of the Soviet Union and Red China to come to his aid.

The request comes at a time when hundreds of millions of Chinese suffer from malnutrition and face possible starvation, and Khrushchev denounces Soviet officials for the failure of farming projects within the Soviet Union. It is tragic for the Cuban people that Castro in his extremity is leaning on the Soviet Union, where butter sells for $2 a pound, for expert assistance to restore the economy of Cuba.

Further evidence of the weakness of Castro's position is the recently confirmed fact that Soviet-bloc arms shipments to Cuba have markedly increased. Thousands of Russian personnel—ostensibly technicians—have arrived within the last months as well as many Soviet ships laden with military cargo. Are these men and this material being brought in to help train the armed forces of Cuba to crush a possible revolt against Castro's tyranny? In addition, there are recurring statements that Russian and Chinese military personnel in the guise of technicians are being landed in Cuba. If this is so, the situation is fraught with danger to the countries of Central America and the Caribbean as well as to the entire hemisphere.

Mr. President, Fidel Castro's image is badly tarnished throughout Latin America. The appeal of Castroism is steadily being sapped as the true picture of what is happening to the Cuban people becomes better known. Latin Americans can see for themselves that he promised freedom and land reform—promised, in fact, a miracle and produced a mess, promised freedom and imposed a totalitarian dictatorship, proclaimed independence and sold his country out to the Communist tyranny. Each day the signs are increasing that his days are numbered. Apparently the Cuban people in their desperation will take care of him. In the end, Mr. President, it is the people who count in Cuba, and everywhere else.

In the Washington Post of August 24, 1962, the situation is reported in a fine editorial under the caption "Guns to Cuba." I commend this to my colleagues and ask unanimous consent that it be embodied in the RECORD as part of my remarks.

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

GUNS TO CUBA

President Kennedy has confirmed reports that Soviet-bloc arms shipments to Cuba have markedly increased. He also noted, in his news conference remarks, that the evidence does not warrant the conclusion that the armaments are aimed at other Caribbean countries. This suggests that Castro needs more weapons to protect himself from his own people, and clearly implies that the regime can no longer trust an increasingly restive militia.

If the Berlin wall represents one form of propaganda defeat for the Soviet Union, the news from Cuba represents another. Prime Minister Castro has succeeded in turning his regime into a leftist caricature of the Batista dictatorship he overthrew. Just as Batista relied on imported arms to keep a rebellious populace under control, Castro needs Soviet weapons to terrorize a hungry and disenchanted people.

At the same time, the Cuban leader has formally abandoned his program of land reform and has announced that henceforth Cuban agriculture will be based on state-owned collective farms. Thus his promises to enact land reforms have proven as empty as his pledges to restore democratic government to Cuba. The Agrarian Reform Law of May 1959, it will be recalled, was once described as the keystone of the Cuban revolution. But farm production has sagged, food shortages developed, and this year the regime was embarrassed by a disastrous sugar harvest. It is estimated that Cuba's trade deficit with the Soviet bloc will total $150 million this year, in part because the island has not shipped enough sugar.

Both items of news should help complete the destruction of the Castro myth in Latin America. Rather than break up big plantations, Castro has wound up by turning the peasantry into a rural proletariat while hunger stalks the cities. One thing is certain. Prime Minister Castro will get better advice on the techniques of repression than on food production from his ubiquitous Russian and Chinese advisers.

Mr. LAUSCHE. Mr. President, continuing, basically, with the thoughts expressed by my colleague about the alleged appearance of military men from Red China and Russia in Cuba, I should like to read into the RECORD significant statements made by Cuba in their bulletin of August 24, "The Cuba Report," issued in Miami. They make the following allegations:

Mariel (north coast of Pinar del Rio Province): In the days included between the 21st and the 26th of July, probably until the 31st, ships carrying from 2,500 to 3,000 men belonging to the Russian and Chinese armies, and heavy military armament and equipment, landed on Cuban soil; their destination being the Guatana, the base of San Julian, and the Los Organos Mountains. Before the unloading of the military armament, the Russians practically seized the town of Mariel, evacuating those that lived near the port.

In the shipment that was unloaded, there were trucks, jeeps, cannons, and other equipment measuring about 4 square meters—hermetically covered by a thick canvas—that were carefully placed over platforms. Later, they unloaded army transports completely closed that appeared to be air conditioned. The troops, dressed in dark green uniforms with white helmets, carrying automatic rifles, machineguns, and knapsacks, were transported in these vehicles.

With great order and military discipline, they followed the road that leads to the north coast of Pinar del Rio. All the garrisons along the coast, composed by Cuban militiamen and rebel army troops, were replaced by the foreigners.

Guatana (near La Coloma, Pinar del Rio Province): About 1,000 Chinese and Russian soldiers are stationed here. There are also 30 cannons that were brought to Guatana from Mariel.

San Julian (central western zone of Pinar del Rio Province): About 400 foreign soldiers are stationed here and not even Maj. Dermino Escalona, military chief of the Province, has been allowed to enter San Julian. In this base there are 35 new cannons that were unloaded in Mariel.

Los Organos Mountains: Near the town of Cabanas, about 200 men, Russian and Chinese, have been seen heading for the mountains.

In the ports of Playuelas and Malas Aguas, in the north coast of Pinar del Rio, as well as in the zone lying between the ports of Santa Lucia and Puerto Esperanza, they have reported over 1,000 Russians and Chinese. In the beach of Rio del Medio, in a place called Topey, also in the north coast of Pinar del Rio, there are over 300 men, Russian and Chinese.

Guanito Garrison (18th km. on the road from Pinar del Rio to Guane): large caliber cannons were taken there. There are also several platoons of Chinese and Russian soldiers.

Havana: 2,000 Russians in civilian clothing landed at the port of Havana on August 7. The ship which brought them entered the harbor on Monday the 6th at 8:15 a.m.

San Antonio de Los Banos (Province of Havana): 500 men were stationed in this base. We have news that they are pilots. During the night hours the Russians and Czechs were seen frequenting the bars and cafes of San Antonio de los Banos. It is known that the majority of the Russian aircraft is kept in subterranean hangers in this base. The neighbors have reported seeing an unidentified model of jet plane that has flown twice over the territory and returned to the base.

Torrens (Province of Havana): An undetermined number of foreign troops are stationed here.

Matanzas: In the Bay of Matanzas landed a contingent whose number could not be determined. These men were transported to the Limonar military training camp.

Casilda (southern coast of Las Villas): The landings took place between the 4th and 9th of August, probably on the 5th. About 2,000 men arrived in Casilda. A few days before the 9th of August, a large foreign ship was reported to have arrived in this port. When the cargo was unloaded it consisted of military equipment and supplies, and a large tank was placed on one side of the dock. Since the night before, Cubans were not allowed in the proximity of the dock.

The route taken by the trucks that transported the men and equipment from Casilda was the road to Trinidad and Sancti-Spiritus and then they followed Central Highway. This was witnessed by the inhabitants of the three towns. The convoy consisted of men on motorcycles, jeeps, trucks, and buses transporting uniformed troops and three ambulances. Ordinary traffic was detoured off these roads.

Nicaro (north coast of Oriente): Sometime between the 10th and 12th of August, 3,000 men landed in Nicaro and were transported to Banes. Since dawn of August 12, no Cubans were allowed near the zone along the coast of Banes. The road leading to Mayari Arriba was closed. This strongly indicates that these troops were concentrated in Mayari Arriba where for some time now our intelligence has been informing us of the existence of secret installations. Before the movement of the troops and all the time it lasted, the electric power was cut off in the entire zone, leaving in darkness all the towns but despite this, the Cubans clearly witnessed the passing of hundreds of enormous trucks loaded with soldiers and followed by heavy military equipment.

Bahia Honda (Pinar del Rio Province): Fifteen or sixteen Soviet ships carrying Russian troops and heavy military equipment arrived in the Port of Bahia Honda, Pinar del Rio Province. It has been confirmed by U.S. officials that a missile base has been installed near this port.

From 4,000 to 5,000 Soviet soldiers, expert specialists in communications, radar, tactical missiles, and anticraft weapons have been stationed in this zone.

The garrison to the east of Bahia Honda has been recently occupied by extracontinental troops, mainly from Russia, Red China, and South Africa.

I do not know whether these charges are true. If they are, we should divest ourselves of the equanimity with which we are facing this problem. The vice chairman of the Senate Foreign Relations Committee [Mr. SPARKMAN] is presiding at this time. I respectfully suggest that the Foreign Relations Committee should call before it appropriate officials of the State Department to learn whether this mass immigration of Chinese and Russian troops into Cuba is true, as alleged in this statement. Moreover, we ought to find out to what extent military equipment is being moved into that land.

I am unwilling to accept the proposition that Castro is asking for these troops

and military equipment to quell expected insurrection. I fear that his motives go far beyond Cuba. They go into Haiti, into Jamaica, and, in a measure, to the land that is some 90 miles from Cuba.

BERLIN

Mr. JAVITS. Mr. President, I wish to make some observations on the situation in Berlin, to which I addressed myself within the last 10 days and on other occasions.

Press reports show that this is the fourth time that the United States has invited the Soviet Union to engage in four-power talks on Berlin. If the fate of the previous requests is any precedent—and I am sure it is—this request will again be rejected. We have witnessed riots in the streets of Berlin, earlier this month, between August 13 and August 21, by crowds in West Berlin who were subjected to intolerable provocation by the cruel and brutal killing of two teenagers, under the most barbaric circumstances, who sought to cross the inhuman Berlin wall.

I have raised my voice against allowing U.S. policy and U.S. commitments of such gravity to be brought into operation by action on the streets of Berlin. But I could not agree more with Mayor Willy Brandt when he said:

> Berlin must accuse; Berlin must demand; and an end must be put to inhumanity.

I certainly do not feel there ought to be riots, though I can understand the provocation that brought them on; and sometimes the realism of an intense and vigorous protest is more than justified. The people of West Berlin showed unmistakable nature of their disgust and protest against the intolerable conditions that they are being subjected to by the Communist East German regime and by the troops of the Soviet Union.

I think we are now at the point where we must try to do something about this situation. I begin to depreciate the constant reiteration by our Government of the fact that the only recourse is to ask for four-power talks with the Russians. The Russians obviously do not want to talk right now, and they intend to pursue their unilateral course of placing tremendous pressure upon the allied governments and the people of Berlin.

Under this provocation and under these conditions, I again urge that it is high time for the Allies to develop a new policy for Berlin. By "the Allies" I mean the United States, the United Kingdom, and France. I believe we must take the leadership there. There are many things we can do. It has been suggested, for example, that West Berlin could be incorporated into the German Federal Republic and, without in any way changing the occupation statutes or arrangements, be brought thereby under the protection of the NATO Treaty, as well, with the whole people of West Germany behind it, because they would have to act in order to take Berlin in and make it a state, or land, as it is called there.

It has been suggested that a previous situation, in which West Germany threatened to cut off trade with East Germany, might be successful because East Germany urgently needs the trade for the operation of its factories; or that there might be a controlling of the traffic from East Germany to West Germany over the Autobahn.

It has also been suggested that the United Nations undertake an investigation of the situation in East Berlin and West Berlin, which might be helpful in revealing to the whole world the intolerable conditions which exist in East Berlin. Those are some of the actions which could be taken.

I urge our Government to stop asking the Russians to confer. The Russians have refused, time and again, to confer. To make such a request again would become a matter demeaning to so great a nation and power as our own, much as we want to avoid a conflict—and we do. This apparently is not the way in which to act. We must now consult with our allies in order to determine upon and arrange some new policy in respect to Berlin.

The pressures of the Communists upon the people of West Berlin may one day prove so intolerable to them as to cause an incident which cannot be handled in the way this one obviously was by Mayor Brandt, according to word I had from Gerhardt Schmidt, of the city council. Apparently discipline was successful in defeating the Russian effort to tie up and boycott West Berlin, because that effort was broken by the airlift.

But this situation cannot continue forever. Therefore, I urge upon our Government and the allied governments a new policy, a new approach, which can move unilaterally from us, and in which we can have the initiative, rather than just having the Russians come over, which they obviously do not want to do.

TRUTH-IN-LENDING LEGISLATION

Mr. DOUGLAS. Mr. President, last year I introduced a bill to provide for truth in lending. I was joined in the introduction of that bill by 21 other Members of this body. The bill merely requires that those who lend money or extend credit or who sell on the installment plan should tell the buyer or the borrower the truth about the finance charges which they would have to pay. The truth required would be in two forms: First, the total amount in dollars of the finance charges incident to the transaction; second, what these charges amount to in terms of a true annual rate of interest upon the outstanding unpaid balance. I am very happy to say that the present occupant of the Chair, the distinguished senior Senator from Ohio [Mr. LAUSCHE], is one of the cosponsors of the bill.

Hearings have been held upon the bill, and copies of the testimony have been sent to all members of the Subcommittee on Production and Stabilization of the Banking Committee. It is my intention to call up the bill for action by the subcommittee and, if necessary, by the full committee, in the concluding days of the session, so that we may know precisely where we stand upon the issues.

I am greatly encouraged by an editorial, entitled "Truth-in-Lending Bill May Spur Consumption," published in the Charleston, W. Va., Gazette of August 22, 1962. The Charleston Gazette is the leading newspaper in West Virginia. It heartily endorses the bill, and its editorial is one of the best statements in support of the bill that I have seen. It states:

> In principle, Americans are devoted to the ideal of telling the truth when they do such naughty things as chop down cherry trees. But in practice, they tolerate all kinds of tricky deception when it comes to parting with their hard-earned money.
>
> The best example, of course, is the interest they pay on money borrowed to buy automobiles and other consumer goods. Unless you have a doctorate degree in mathematics, it's almost impossible to figure out the true interest on many consumer loans.

In testimony which the committee received 3 years ago from the Chairman of the Federal Reserve Board, Mr. William McChesney Martin, who is supposed to be the greatest authority on finance in this country, Mr. Martin confessed that he could not make head or tail out of the ordinary credit terms for the purchase of automobiles.

The editorial goes on to support the truth-in-lending bill which has received the blessing of the Kennedy Administration. It correctly points out:

> The bill wouldn't set interest rates, but it would require merchants and lenders to tell their customers exactly where their money is going in simple terms they could understand.

Mr. President, the bill has received the support of a number of outstanding bankers. It has received the support of the savings banks of New York, the credit unions of the country and numerous highly ethical banks.

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

Mr. MANSFIELD. Mr. President, I yield an additional 3 minutes to the Senator from Illinois.

Mr. DOUGLAS. I appreciate the kindness of the majority leader.

The editorial goes on to say:

> Congress, which so far has done little more than bring happiness to A.T. & T. and the American Medical Association, should show just a little affection for the consumer, too, by passing the truth-in-lending bill. It can't be argued honestly that the bill would raise the national debt or in any other way destroy the foundations of the Republic.
>
> And the bill might very well stimulate our sluggish economy. Fearful of losing business, high interest merchants and lenders might lower their exorbitant charges. Consumers, delighted with the millions they would save in interest payments, might consume even more—creating more jobs in factories and more sales in retail stores. Who knows, such practical results might even make telling the truth respectable again.

Mr. President, I ask unanimous consent that the entire editorial as published in the Charleston, W. Va., Gazette of August 22, 1962, be printed at this point in the RECORD.

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

TRUTH-IN-LENDING BILL MAY SPUR CONSUMPTION

In principle, Americans are devoted to the ideal of telling the truth when they do such

naughty things as chop down cherry trees. But in practice, they tolerate all kinds of tricky deception when it comes to parting with their hard-earned money.

The best example, of course, is the interest they pay on money borrowed to buy automobiles and other consumer goods. Unless you have a doctorate degree in mathematics, it's almost impossible to figure out the true interest on many consumer loans.

"Is there any reason to wonder why buyers and borrowers are so confused when the term interest can mean simple interest, straight interest, add-on interest, so many dollars-per-year-per-hundred interest, discount interest, or interest quoted in terms of so much per month?" asks Herbert E. Cheever, vice president of the First National Bank in Brookings, S. Dak.

"Not only is there confusion, but the unscrupulous, and those that are seeking very high returns for the use of credit, are taking every advantage of the poor consumer."

What is needed, Cheever explains, is a legal standard of measure for the term interest in the United States. And that's just what would be provided by the truth-in-lending bill before Congress, which was introduced by Senator PAUL DOUGLAS, Democrat, of Illinois, and has received the blessing of the Kennedy administration.

The bill wouldn't set interest rates, but it would require merchants and lenders to tell their customers exactly where their money is going in simple terms they could understand. Cash price, down payment, charges for insurance and other items, and the simple annual interest rate would be itemized clearly.

Except for Cheever and a handful of other mavericks who are oldfashioned enough to think it pays to be truthful with their customers, the Douglas bill has terrified the business community.

Its objections, presented to a Senate committee, include: Clerks can't calculate simple annual interest; the female mind could never grasp such simplicity; telling the truth might cause "a serious business lag." Anything but the truth, the witnesses pleaded, undoubtedly regretting that the tale about George Washington and the cherry tree ever swept the Nation's elementary schools.

"They frankly do not think the consumer should know the true rate of interest he is paying," Cheever says. The reason is clear: They fear that if the consumer ever grasps what he pays in interest charges, their gravy train will be derailed.

Congress, which so far has done little more than bring happiness to A.T. & T. and the American Medical Association, should show just a little affection for the consumer, too, by passing the truth-in-lending bill. It can't be argued honestly that the bill would raise the national debt or in any other way destroy the foundations of the Republic.

And the bill might very well stimulate our sluggish economy. Fearful of losing business, high interest merchants and lenders might lower their exorbitant charges. Consumers, delighted with the millions they would save in interest payments, might consume even more—creating more jobs in factories and more sales in retail stores. Who knows—such practical results might even make telling the truth respectable again?

LAWRENCE F. O'BRIEN ON WASHINGTON CONVERSATION

Mr. MANSFIELD. Mr. President, I have had occasion in the past to refer on the floor to the Presidential Assistant for Congressional Liaison, Mr. Lawrence F. O'Brien. His work, as I have noted, has been exceptional in every respect. Indeed, I have seen none finer, in tactfulness, in understanding, and in conscientiousness, in my two decades in Congress.

The CBS telecast "Washington Conversation" of August 26, produced by Michael J. Marlow covers a talk between Paul Niven and Larry O'Brien. This program, Mr. President, reveals Larry O'Brien as we have come to know him, as a man of exceptional character, as a straightforward, candid man, as an unpretentious, down-to-earth American of great human warmth and deep dedication to the people and the ideals of the Nation. I ask unanimous consent, Mr. President, that a transcript of the TV program previously referred to be printed at this point in the RECORD.

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

LAWRENCE F. O'BRIEN ON WASHINGTON CONVERSATION

ANNOUNCER. Join us now for a Washington Conversation with one of the top assistants to the President of the United States, Lawrence F. O'Brien.

The CBS television network presents Washington Conversation, an attempt to sketch in some of the details of this man—Lawrence F. O'Brien.

At the magic New Frontier age of 45, O'Brien, a lawyer and former public relations man, is not new to politics. He worked part time for the Democrats in his hometown of Springfield, Mass., when he was 15.

His association with President Kennedy goes back to the days 10 years ago when Congressman Kennedy first ran for the Senate against Henry Cabot Lodge.

Today, a personal biography of this man, who rarely appears on television, an exclusive interview with Lawrence F. O'Brien.

Your host for this informal, unrehearsed Washington Conversation, prerecorded on video tape, is CBS News Correspondent Paul Niven. Mr. Niven.

Mr. NIVEN. Mr. O'Brien, you more or less grew up in political headquarters in Springfield, Mass., didn't you?

Mr. O'BRIEN. That is correct, yes.

Mr. NIVEN. Your father was an organizer or a candidate?

Mr. O'BRIEN. Well, my father was a State committeeman in Massachusetts at one time, and when I was 14, 15, 16 years of age, I spent a lot of time in campaign headquarters and also this was a subject of conversation over the dining room table all the time, exclusive.

Mr. NIVEN. Your earliest memories are political.

Mr. O'BRIEN. I go back perhaps to 8 or 10 years of age, and my memories are almost exclusively political.

Mr. NIVEN. Senator David I. Walsh, of Massachusetts, was a frequent visitor, wasn't he?

Mr. O'BRIEN. That is right. The Senator, who was a distinguished Senator, incidentally, was a close friend of my father, and he used to come quite often to my home.

As a matter of fact, I can recall coming home from school with some trepidation, because I knew the Senator would ask me some of my school lessons. He invariably did. And I used to hesitate to get into the house and be placed under the Senator's very careful scrutiny.

Mr. NIVEN. Did you bone up for his visits in advance?

Mr. O'BRIEN. Well, no. But I was proud of the family association, and I can recall as a youngster in school telling some of my fellow students and the teacher that we had a very prominent occasional visitor to our home.

Mr. NIVEN. He phoned the White House once from your home, didn't he?

Mr. O'BRIEN. You're right—you're right, he did.

I think—you are probably recalling a situation that involved coal.

Mr. NIVEN. Yes.

Mr. O'BRIEN. Well, I remember. That is one of my first memories of politics, if you can call this particular anecdote totally political.

But he spent, oh, 15 or 20 minutes trying to contact then President Hoover on the telephone. And he was becoming awfully disturbed, poor connection, difficulty with the operator, and all that sort of thing.

We lived in a big, rambling house, and I could see this thing occurring. The coal truck backed in. And the window, the coal chute was placed—and it was just under the desk that the Senator was sitting at, attempting to get the President on the phone. And just as that connection became clear, and he said, "Mr. President, Dave Walsh on this end," the coal came down the chute, everything broke up, and the Senator wound up slamming the phone on the hook.

Mr. NIVEN. James Michael Curley was also a frequent visitor, wasn't he?

Mr. O'BRIEN. Yes, he was. He was a very colorful figure, as you know—former mayor of Boston, former Governor, former Congressman. And he visited our home on many occasions.

Mr. NIVEN. Did you learn anything from him?

Mr. O'BRIEN. Well, I remember in those early days, sixteen years of age, being enthralled with Mayor Curley's speaking ability, his great oratory. He was a great story teller, I might add, and an extremely colorful figure. And I used to sit in the corner of the den, with my ears wide open, absorbing all I could. And I remember Mayor Curley vividly. And I certainly did learn a lot about politics just listening to the Mayor.

Mr. NIVEN. Curley was, of course, a controversial figure.

Mr. O'BRIEN. Yes, he was.

Mr. NIVEN. When he was in prison, our now President, then Congressman, refused to sign a petition asking President Truman to pardon him.

Do you think that on the whole Curley was a good or a bad thing for the people of Massachusetts?

Mr. O'BRIEN. I think at the time, at the time of Curley at his height, he was good for Massachusetts, particularly the city of Boston, because at that time you had the great influx of Irish immigration, and these people needed a focal point, they needed a leader, they had in Curley a leader. And the occasion called for leadership of a colorful nature, strong, two-fisted.

In this day and age, it just wouldn't be the case.

But at that time, under the circumstances, I think that it was a rather natural situation.

Mr. NIVEN. I have read that in predominantly Protestant and Republican western Massachusetts, your own father encountered a great deal of anti-Irish bigotry; is that true?

Mr. O'BRIEN. Well, my father and mother, Mr. Niven, were both immigrants from Ireland. And they were very proud to become American citizens. And in those early days, which were before my time, there was a great deal of that. It passed by the time I became a young man. But there were occasions when plants in that vicinity would have signs outside the door saying "No Irish" or "No Catholic need apply." And of course it really resulted in spurring on these immigrants, such as my father and mother, spurring them on in the sense that they wanted to participate in civic and local government affairs. And the Irish, to a great extent, therefore, became interested in politics.

Mr. NIVEN. And they took over the State of Massachusetts more or less.

Mr. O'BRIEN. Ultimately, in a political sense, they became powerful in the State, and they remained in that position since that time. Of course, all of that is in the past, and there is no such thing now really in Massachusetts as racial groups.

Mr. NIVEN. But now the Italians were pushing them and pushing them.

Mr. O'BRIEN. Yes. But the Italian immigrant went through the same situation, had the same motivations, and has risen to the top, not only in politics, but in the professions and in the business world and in civic leadership. And therefore today in Massachusetts there is little, if any, of the so-called hyphenated political operation. Everyone is American.

Mr. NIVEN. In many of our States, especially in New York, both parties still deem it necessary every election to have an Irishman, a Jew and an Italian on the ticket. Is this sort of thing disappearing fast?

Mr. O'BRIEN. Well, it isn't disappearing fast enough, in my view.

I haven't shared that view very strongly. I know that many people in political life feel this is the safe procedure, this is the balanced ticket, as you pointed out. And in Massachusetts, to some extent, it still exists. But not in the important sense that it was once considered to be.

And as I said, frankly, I never shared this view. And I don't think really it adds any political strength, if you will, to either party in the sense of sort of publicly or in a way rather blatantly presenting this kind of a ticket.

Mr. NIVEN. In 1932 your father deserted his own bloc, so to speak, to support Roosevelt against Al Smith. How did that happen?

Mr. O'BRIEN. Well, my father had firm convictions. He had been an ardent supporter of Al Smith in 1928. He became totally convinced that the country needed the leadership of Franklin D. Roosevelt. And he ran, incidentally, Mr. Niven, as a Roosevelt pledged delegate. And I think he was defeated about 10 or 12 to 1. It was a devastating defeat.

Mr. NIVEN. Curley was also defeated, but turned up as a Puerto Rican. Your father didn't go as a Puerto Rican?

Mr. O'BRIEN. That is right. Interestingly enough, JIMMY ROOSEVELT, now Congressman from California, was on that same slate, in 1932.

Mr. NIVEN. Was your father ostracized by many of his friends that year?

Mr. O'BRIEN. Some of his relatives—I can recall that he had a brother particularly who was awfully disturbed, and I don't think ever really forgave him.

Mr. NIVEN. You began your own political work, at least part time, at the age of 15. What did you do?

Mr. O'BRIEN. Well, my father was busily engaged in the campaign that Mayor Curley was running, for Governor. And he thought it would be a fine idea if I would tour the rallies—and there were many more rallies of the neighborhood type in those days than there are today—and give a little talk, sort of a boy orator situation. And I had a 10-minute prepared address, as I recall it. And I did a lot of that touring and stood on platforms and gave this little pep talk. And it pleased my father. I don't know as it pleased the audience, particularly.

Mr. NIVEN. And did you decide about that time that this was your life?

Mr. O'BRIEN. I really knew no other life. And as I say, the subject of politics, organizational politics, political candidates, government, was almost the exclusive subject in our household. And at no time did I ever consider any other approach to my future activity than somewhere in the field of politics.

And I may add I am having a problem right now with my 16-year-old son.

Mr. NIVEN. He wants to go into politics?

Mr. O'BRIEN. Well, he wants to follow the law with the idea in mind that he will go into politics. And I don't mind telling you I have been trying to sell him on journalism.

Mr. NIVEN. Does this mean we may have an O'Brien dynasty, concomitant with the Kennedy dynasty?

Mr. O'BRIEN. Well, I haven't given up hope that perhaps he could play a role such as yours, Mr. Niven, and be a close observer, and enjoy all the elements of this most fascinating area of life, and still perhaps not be totally emeshed in it.

Mr. NIVEN. Why—why don't you want him to go into politics?

Mr. O'BRIEN. I suppose it is perhaps the attitude that many fathers have concerning their sons following in their footsteps, so to speak. The grass is a little greener elsewhere.

And since I have been with the President, and particularly since I have been in the White House with him, I have observed that you and your colleagues have a great advantage, have a fascinating area of activity—you report to the American people on what is taking place in our Government daily. And I think that probably is less frustrating, if you will, then my role in the White House.

Mr. NIVEN. But the President, who himself once tried journalism, has often said that observing was a poor substitute for doing. Don't you feel that way?

Mr. O'BRIEN. I suppose really I do. But nevertheless, there is one other aspect to this. My son has shown a flair for writing, and I would just like to have him take a long look at it before he makes the ultimate decision.

Mr. NIVEN. Mr. O'Brien, how did your association with the Kennedy family start, and when?

Mr. O'BRIEN. Well, back in 1948, Mr. Niven, I was down here in Washington as administrative assistant to then Congressman Foster Furcolo, who was later Governor of Massachusetts, you may recall. I became acquainted with then Congressman Kennedy because we would—both offices would have problems of a mutual nature, involving Massachusetts and New England. And after 2 years down here, I decided I would prefer to go back home to Massachusetts, which I did. And I decided also that perhaps I would like to lead a little more normal life than I had been. But I wasn't home very long when Jack Kennedy contacted me and suggested perhaps I could be helpful in Massachusetts, particularly at that time in western Massachusetts, because he was contemplating running for statewide office. So I was out of politics probably in my mind for a period of 60 to 90 days.

Mr. NIVEN. Is it true that the first time you were introduced to President Kennedy by Congressman BOLAND, Mr. BOLAND told you that Mr. Kennedy would some day be President?

Mr. O'BRIEN. I believe that is true. EDDIE BOLAND is my Congressman. I am a constituent of his. And I do recall going over to the Springfield Auditorium with EDDIE BOLAND, and we had a cup of coffee at a little later time of the day with Congressman Kennedy. He was addressing a convention in Springfield at that time. And BOLAND did make that prediction. That is right.

Mr. NIVEN. When did you first become persuaded that Mr. Kennedy would or could at least become President?

Mr. O'BRIEN. Immediately following the 1956 convention.

Mr. NIVEN. You thought his showing there for the vice-presidential contest——

Mr. O'BRIEN. That is right. I thought his showing in the 1956 convention and the very happy situation that he had not been nominated—the combination of those two circumstances I think brought me to the realization that this man could be President.

Mr. NIVEN. You are famous for your campaign manuals, in which the current edition is being distributed to Democratic candidates. The first edition came out in six pages in 1952, I believe, didn't it?

Mr. O'BRIEN. Yes, Mr. Niven. In 1952 the Kennedy-Lodge fight in Massachusetts brought about a lot of discussion. You will recall that Henry Cabot Lodge was the campaign manager, national campaign manager, for Eisenhower. He was also running for reelection to the U.S. Senate.

Jack Kennedy had a safe congressional seat. And he decided then that he would give that seat up and run against Lodge. And the odds were 10 to 1 against victory. In fact, most of the Democratic leaders in Massachusetts, if not all of them, considered it an impossibility.

Well, the net result was it was necessary for Congressman Kennedy to go out into the cities and towns of Massachusetts and organize his own campaign groups. The party organization was paying little or no attention to his candidacy. And these campaign groups were composed exclusively of amateurs.

Now, my role in the campaign was State director of organization. The now Attorney General, Bob Kennedy, was campaign manager.

So it became necessary for us to have a fairly detailed review available to all these loyal, hard-working amateurs, as to procedure. And I can recall that we ultimately came up with, perhaps it was, a six-page mimeographed list of steps that were taken, to be taken during the campaign. And from that, ultimately came the campaign manual that was used in the primary States, in the President's quest for election, and then following nomination at Los Angeles, it was the Citizens for Kennedy and Johnson manual nationally.

Now, as you point out, it is being revived to be used in the 1962 campaign.

Mr. NIVEN. Did you ever have any doubts in the 1960 campaign about the outcome?

Mr. O'BRIEN. No serious doubts. I think all of us felt it would be awfully close.

I think most of us were surprised that it was that close. It was a rugged, difficult campaign. But to use the vernacular, at no time did we feel we were out of the ball game. We were definitely in it all the way.

Mr. NIVEN. What was the toughest challenge you yourself had, either before or after the convention?

Mr. O'BRIEN. I think following the convention was probably the toughest challenge, because I was designated as director of organization for the Democratic National Committee, and we had little time to gear the Kennedy campaign effort throughout the the country that has been waged not only in the primary States, but many other States, in the forming of Kennedy for President committees—to gear that into the party operation, the established county, State——

Mr. NIVEN. Without offending the regulars.

Mr. O'BRIEN. That is right. And time was against us. It was a very brief period. And beyond that, it was difficult, because we had State chairmen and county chairmen for Kennedy throughout the country. And it was necessary then to meld them in with the established county and State leaders. And I think that was probably the most difficult period.

Mr. NIVEN. Is your present job of securing congressional support for the President's legislative program similar in any way to the task of getting delegates to support him at a convention?

Mr. O'BRIEN. Well, similar in the sense that you have head counts and rollcalls. But I will say much more difficult over the long haul, Mr. Niven, because I keep recalling, and I do this almost daily—recalling that we had

one rollcall at Los Angeles, we spent approximately a year and a half leading up to that one successful rollcall. And in this job it seems as though we have them daily, and they are all in the form of some kind of a crisis.

So I think it ends at that point.

This is a continuing problem, on a day-to-day basis. And it is rare to see the day, or at least the week, that you don't have a serious crisis, legislatively, involving the President's program, that is to be resolved in the Congress.

And, as you know, since we have been here, it has been cliff hanging all the way, from the very first week, when the rules fight was won by five votes, with the beloved Speaker, former Speaker, Sam Rayburn's prestige on the line.

It is difficult.

Mr. NIVEN. Have you been able to predict accurately in advance the outcome of every important rollcall in these 2 years?

Mr. O'BRIEN. Well, I think that the staff at the White House, coupled with the staffs of the House and Senate that work in this area, combined, have been very, very close on every single rollcall.

Mr. NIVEN. You have had no major surprises, then, pleasant or unpleasant.

Mr. O'BRIEN. Well, we did have a major surprise last year, in the minimum wage, where we felt our minimum wage bill would be enacted by a very close margin, and we lost it by one vote. Fortunately, we were able to come back and in the final analysis we had a better minimum wage bill than we had initially lost. But that was a surprise.

Now, we have had close fights in this session. We have had medical care, as you know. We were pretty accurate in our rollcall, Mr. Niven, and I think that added a little bit to the problem, because for at least 48 hours prior to the rollcall on medical care we were pretty sure exactly what was going to happen, and we were in a position where we seemed not to be able to do anything about it.

Mr. NIVEN. It has been said that you have a card file of the entire Congress, showing each Member's pet projects, public statements, soft spots, friends, and prejudices.

Is that accurate?

Mr. O'BRIEN. No, that isn't quite accurate. We do maintain a card file which, of course, is a voting record that would normally be available to anyone. But we add to it intelligence relative to the Member's position in the committee on a given matter, the attitudes he may have expressed back home, for local consumption, on matters that may be helpful to us in the future. We have a fair amount of intelligence along that line that we try to maintain, available to us at a given moment. But it doesn't go beyond that.

We think it is a worthwhile project, and it is an essential project.

We couldn't function with hundreds of Members, in contact with them, without some sort of a file.

Mr. NIVEN. In a critical battle, how much carrot do you use and how much stick?

Mr. O'BRIEN. Well, I have been intrigued to read about, on occasion—about strong-arm tactics, projects, patronage, and all that sort of thing.

I can assure you that if we have anything going for us on the Hill, in the sense of a plus factor, from our point of view, it is the attitude of the membership generally, the Democratic membership generally, toward the President.

We have to remember that the President was up there for 14 years and served in both bodies. He is well liked on the Hill.

Mr. NIVEN. When a Member of Congress goes to the White House and asks for a road or a public works project, in any administration, isn't his support for the administration taken into consideration in deciding whether he gets it?

Mr O'BRIEN. Well, he is not as apt to come to the White House on a matter such as that as he is apt to go to the appropriate committee chairman of the Congress to discuss it, very frankly.

Mr. NIVEN. Do you have dealings with Republicans?

Mr. O'BRIEN. Oh, yes—oh, yes. I have dealings with Mr. HALLECK and Mr. DIRKSEN and other Republican leaders in the Congress. Obviously, I haven't the dealings in depth that I do with the Democratic leaders and the Democratic membership in general.

But certainly I do have dealings with them. And I might add at this point that I, for one, consider the relationship very pleasant.

Mr. NIVEN. Well, finally, Mr. O'Brien, as a veteran organizer of political campaigns, what do you think is going to happen in November?

Mr. O'BRIEN. I believe following the President's trip to the West, just a few days ago—and I was fortunate enough to travel with him—I believe now that we can hold our own numerically in the Congress. I believe that we can overcome the historic political situation in America that except for the election of 1934, the incumbent party has always lost strength in off-year elections.

I am confident now that we can hold our position in the Congress, hold the Democratic Party, control the Congress. And if we can achieve that, that will be a real job well done.

Mr NIVEN. Thank you very much, Mr. O'Brien.

Mr. O'BRIEN. Thank you, Mr. Niven.

AMERICAN AND RUSSIAN SPORTS RELATIONS

Mr. BEALL. Mr. President, recently the Soviet Union paid a unique tribute to Maryland racing in general and to our famous Washington D.C. International Race in particular when it invited an official of the Laurel Race Course, the home of the International, to spend 2 weeks in Russia as the official guest of that country's Ministry of Agriculture. Never before had the Soviet Union extended such an invitation to an American racing official, and to many people it represented another step in the development of the people-to-people program which is attempting to promote a friendlier climate where political differences exist.

The invitation to visit Russia's race tracks and training farms was issued to Joseph T. Cascarella, executive vice president and secretary of the Laurel Race Course, by Anatoly Dobrynin, the Soviet Ambassador to the United States, who acted in behalf of the Ministry of Agriculture. This action, Mr. President, showed once again how sports and sportsmanship can help break through barriers which separate vast areas of our world.

The fact that a representative of the Laurel racecourse was chosen as the guest was not a matter of chance. In 10 runnings of the Washington, D.C., International at the Laurel track in Maryland, there has been participation by 96 owners from our Nation and Australia, New Zealand, Mexico, Peru, Venezuela, Argentina, Canada, Ireland, France, England, Italy, Sweden, Denmark, Germany, and the Soviet Union. Among the colors displayed at this "Olympics of Racing" have been those of Queen Elizabeth II; Sir Winston Churchill; two Presidents of Ireland, Sean T. O'Kelly and Eamon deValera, and the late Prince Aly Khan. In addition, it was at the Washington, D.C., International that two thoroughbreds from the Soviet Union first participated in a race outside the Iron Curtain.

The New York Times has said:

> The Washington, D.C., International, in its relatively short history, has grown into one of the most important weight-for-age stakes in the world. It ranks with the Prix de L'Arc de Triomphe and the King George VI and Queen Elizabeth Stakes as the championship triple.

The fact that Maryland, through the Washington, D.C., International, holds a significant place on the calendar of world sports events is a tribute to the State's great racing traditions, to the efforts of the management of Laurel and especially to the initiative, foresight and sportsmanship of the track's president, John D. Schapiro.

TWO EXAMPLES OF EXCELLENT FPC ACTION FOR PUBLIC INTEREST

Mr. PROXMIRE. Mr. President, I have long been concerned about the ability of the Federal Power Commission to protect the public and consumer's interest, particularly in the area of oil and gas regulation. The record of this key agency in the past has not been reassuring on this score. Particularly in the period 1954–59 there were significant increases in natural gas prices, which resulted in far higher expenditures by America's 34 million gas consumers.

It is therefore a cause for rejoicing when within a week there occur two major recommendations by the Commission staff which emphatically uphold the public interest. Both are representative of the kind of impartial, watchdog attitude which I firmly believe the FPC should maintain. The two staff briefs concerned the following subjects:

First. Under present Commission policy oil and gas companies are allowed to compute depreciation for income tax purposes in two different ways. If the computation is to be used by the Commission in determining rates, the industry is allowed to use straight-line depreciation methods; but if the computation is to be used for the purpose of actually paying taxes, then the industry is permitted to use a liberalized depreciation. In other words, the industry uses straight-line depreciation methods in figuring taxes for ratemaking, while actually paying lower taxes on the basis of liberalized depreciation. This means, in effect, that oil and gas consumers are compelled to advance capital to the industry through prices that are higher than the cost of production plus a fair return.

Last Monday, August 20, the Commission staff, on its own initiative, presented to the chairman a detailed brief in connection with the Alabama-Tennessee natural gas rate case. In the brief the staff recommended that the Commission

reverse its longstanding policy of allowing one tax computation for determining rates and another for actually paying taxes. The staff advocated "that the Commission determine that in the computation of the income tax allowance in the cost of service, such allowance shall be limited to the amount of income taxes actually paid."

This recommendation, if followed by the Commission, will be an important decision in preventing unreasonable gas prices and reducing the cost burden on the consumer. Equally important in my mind is the fact that the staff is evidently taking an active part in determining FPC policies, rather than standing back and letting private interest groups fight these matters out. I ask, Mr. President, that an article from Platt's Oilgram News Service, August 22, explaining the vigilant action and initiative of the staff, be inserted at this point in the RECORD.

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

FPC STAFF URGES CHANGE ON LINE DEPRECIATION FOR RATE PURPOSES

WASHINGTON, August 21.—FPC staff has recommended that Commission reverse itself in treatment of liberalized depreciation for purpose of determining rates of gas pipelines.

In brief filed late yesterday, staff recommended that "in the computation of the income-tax allowance in the cost of service such allowance shall be limited to the amount of income taxes actually paid as a result of use by the natural gas company of liberalized depreciation."

Present Commission rules allow pipeline companies to use so-called "normalization" method of computing taxes in rate base.

This allows companies to employ straight-line depreciation methods in computing taxes for FPC while actually paying lower taxes on basis of liberalized depreciation schedules.

Introduction to brief maintained that FPC had previously announced that "it proposed to review and reexamine this issue."

Under these conditions staff assumed "that it is free to present its views herein unfettered by the fact that there presently exists an established Commission practice with respect to the treatment for ratemaking purposes of liberalized depreciation," brief continued.

However, it specified that staff dealt only with issue of future rates and not "with the disposition of the amounts presently recorded as accumulated deferred income taxes.

Actual case before Commission is Alabama-Tennessee Natural Gas rate case, but Commission has permitted intervention by other pipeline companies on assumption that policy on depreciation would come under question (see June 3 Oilgram).

Staff contended that present policy of Commission is in error for three major reasons:

"The use of liberalized depreciation results in a tax saving or reduction and not in tax deferral.

"There is nothing in the legislative history of section 167 that requires the Commission to allow a natural gas company more taxes than actually payable, or that requires the customers of a natural gas company to advance capital to that company.

"There is no similarity of purpose or applicability between accelerated amortization of defense facilities under section 168 of the Internal Revenue Code and liberalized depreciation under section 167 of that code."

Commission staff also discussed "economic impact on the consumer arising from the use of the normalization method (present policy) and the benefits to be derived by the natural gas company and the consumer by the change-over to the flow-through method."

Mr. PROXMIRE. The second action of the Commission staff which I wish to bring to the attention of the Senate occurred last Tuesday, August 21, 1 day after the Alabama-Tennessee brief was filed. I am referring now to the so-called Pemex case. In this action the staff asked the Commission to dismiss applications to build a $225 million natural gas pipeline from Texas through Mexico to southern California.

The staff introduced the motion to dismiss the applications on two grounds:

First—and I am now quoting from the staff brief:

It is obvious that the proposals contained in the applications, if certificated, would have an immediate inflationary impact of immeasurable proportions upon field prices generally.

Secondly, the staff pointed out that the planned uses of the gas are "inferior uses and are to permitted only on a positive showing that the public interest requires them." In other words, the staff argued that there are better uses—uses having higher priority—for the gas than the use for which the applicants wanted the gas.

In this case, then, the Commission staff was not only representing the consumer in arguing against an unnecessary price rise, but also attempting to prevent the long-range misallocation of our gas resources.

Mr. President, both these examples show the Commission staff actively engaged in upholding the public interest. They are not standing back and letting the case be decided on the narrow issues that may be raised by the adversaries. Rather the staff has conducted its own study and investigation and has made recommendations, supported by evidence and logic. This shows that an active, able staff in an independent agency can go a long way toward providing essential representation of the public interest in regulatory proceedings.

Naturally, the staff needs the support and encouragement of the Commission. I am sure that without the support of the FPC's able chairman, Mr. Joseph Swidler, it would not have been possible for the staff to develop and present these two outstanding briefs. I congratulate Mr. Swidler for his wisdom and foresight in supporting his staff in these endeavors—and I congratulate the staff for their fine work in the two cases I have referred to.

Mr. President, I ask unanimous consent that the article from the August 23, Wall Street Journal be printed at this point in the RECORD.

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

FPC ATTORNEYS OPPOSE GASLINE ACROSS MEXICO

WASHINGTON.—Federal Power Commission attorneys asked the FPC to dismiss applications to build a $225 million natural gas pipeline from Texas through Mexico to southern California.

Staff lawyers said it was "pointless" to continue hearings on the proposal because it "flies in the face of two very fundamental policy concepts of the Commission." For one thing, they said, it would have "an immediate inflationary impact of immeasurable proportions" on gas prices. For another, it would "promote inferior uses of a limited supply of natural gas."

The 1,600-mile pipeline ultimately would carry about 380 million cubic feet of natural gas daily from Texas fields for Southern California Edison Co. to use in driving steam-powered electric generators. Edison would buy about 82 percent of the gas from Humble Oil & Refining Co., subsidiary of Standard Oil Co. (New Jersey).

MEXICAN GAS WOULD BE ADDED

From Texas fields, the gas would move to the Mexican border in a $12 million pipeline to be built by Tennessee California Gas Transmission Co., a subsidiary of Tennessee Gas Transmission Co. The gas would be picked up by Petroleos Mexicanos, an agency of the Mexican Government that proposes to build $165 million of pipeline facilities; Mexican-produced gas would be added to the load.

At the California border, California Gas Transmission Co., another Tennessee Gas subsidiary, would take over and distribute the gas to five Edison generating stations through $48 million of pipeline.

An Edison spokesman in Los Angeles said he was "still convinced the pipeline is a very sound project." He said the company wouldn't comment further until the report asking the dismissal had been studied. Humble and Tennessee Gas officials declined to comment on the recommendation.

Hearings on the proposed project began in April, but have been recessed until October 2. The FPC could rule on the staff's dismissal motion before the hearings reconvene. The companies have 10 days to challenge the motion. Commission attorneys said the companies "have presented all of their evidence and it falls short of justifying the proposed project. A failure to dismiss at this juncture will only result in a waste of time and money."

The staff lawyers said the price Edison proposes to pay is 2 to 3½ cents a thousand cubic feet more than the "area price" ceiling of 18 cents a thousand cubic feet the FPC set for the Texas area. To channel a large amount of gas to one consumer at a high price, the lawyers asserted, would "increase demands on a limited supply of gas" and "have the effect of propelling field prices upward."

CONSERVING NATURAL GAS

"In addition to its concern with maintaining stable gas prices," the lawyers stated, "the Commission is equally concerned with conserving natural gas * * * where other fuels are in ample abundance to meet inferior fuel demands of industry generally and of steam-electric plants particularly."

The lawyers said Edison's proposed use of the gas "is far more prolific than in typical boiler fuel cases * * * in its present form, this case very simply involves the transference of tremendous gas reserves from producing fields directly to burner tips for use in the steam generation of electricity. There are to be no complementary benefits to domestic and commercial gas users—because no such users are contemplated to receive service."

The attorneys said "there is no assertion by Edison that oil, as an alternate fuel, is not available in quantities sufficient to satisfy all of its needs" not met by Southern California Gas Co., Southern Counties Gas Co., and Pacific Lighting Gas Supply Co., west coast gas distributors who oppose the project because they claim it will rob them of their principal customer, Edison.

The staff also challenged Edison estimates it could save $173 million over the next 20 years by buying its gas directly from Texas. The FPC attorneys said the company's cost

estimates of the Pemex project gas were low and were compared with "unreasonably high estimates" of the cost of gas from existing suppliers.

Edison's savings estimates, the lawyers added, are based also on "the belief that this Commission will permit uncontrolled price increases in the cost of gas in the field. If this be so, they [Edison's estimates] may have a certain validity. However, any prediction of future field prices premised on the assumption this Commission will permit field prices to barrel along at ever higher levels is patently ridiculous."

The attorneys charged, "It is the inflationary forces set in motion by companies like Edison that causes the prices of future acquisitions of gas by others to be at even higher plateaus. When these forces are kept under control, anticipated long-range savings would no longer be a motivation to large industrial companies attempting to obtain and hoard their own supply of natural gas * * * to the detriment of the remainder of the gas-consuming public."

Attacking contentions that the project would promote petroleum exploration in Mexico, the FPC staff commented, "building a pipeline to induce exploration seems to be a reversal of the usual practice of finding commercial deposits of gas or oil and then constructing the pipeline to take the product to market." They asserted that evidence of much petroleum deposits in the path of the pipeline was "quite sketchy. In any event, there is no prognostication that a pipeline passing through Mexico will stimulate the development of gas reserves equivalent to the 2½ trillion cubic feet of Texas-produced gas which Edison proposes to burn in its boilers."

The FPC staff also struck out at assertions that the project would bolster competion in the California fuel market. "Any competition engendered by the Pemex project will be unfair competition," they charged. "The existing gas distribution companies and interstate gas pipelines would simply be outdistanced in the race for industrial customers * * * so eagerly sought by the promoters of Pemex."

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

REVENUE ACT OF 1962

Mr. KERR. Mr. President, I ask that the Chair lay before the Senate the unfinished business.

Without objection, the Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). The question is on agreeing to the committee amendment on page 8, in lines 2 and 3.

Mr. KERR. Mr. President, after consultation with the distinguished Senator from Tennessee [Mr. GORE], the Senator from Illinois [Mr. DOUGLAS], the Senator from Delaware [Mr. WILLIAMS], and the Senator from Virginia [Mr. BYRD], I should like to propound a unanimous-consent request; namely, that the following amendments—which I shall designate specifically in a moment—are not agreed to by this unanimous-consent request——

Mr. DOUGLAS. Mr. President, will the Senator from Oklahoma yield for a moment?

Mr. KERR. I yield.

Mr. DOUGLAS. The Senator from Oklahoma means the following committee amendments; does he not?

Mr. KERR. That is correct.

Mr. President, I was saying that I wish to propound the following unanimous-consent request: That the following committee amendments are to be considered in succession, following consideration of the amendment to section 2, which is to be offered by the senior Senator from Virginia [Mr. BYRD]; that all other committee amendments are agreed to en bloc and are to be considered as part of the original text of the bill, and subject to further amendment; and that after consideration by the Senate of the 11 amendments which I shall now specifically identify—being committee amendments—and after they are acted on by the Senate, the entire bill then shall be considered as part of the original text, and subject to further amendment.

The specific amendments to be excepted from this agreement, as heretofore stated, are as follows:

First. The committee amendment on page 41, in line 18, through page 42, in line 4, and page 42, in line 7, being the expense account amendment.

Second. The committee amendment eliminating entirely section 482 of the bill. This section would have strengthened the allocation formula in section 482 of the code; and the committee amendment is on page 52, line 1, through page 57, in line 22.

Third. The gross-up committee amendment, on page 121, in line 3, through page 127, in line 1.

Fourth. The withholding committee amendment, on page 307, line 9, through page 369, line 19.

Fifth. The clearing land committee amendment, on page 381, line 16, through page 384, line 24.

Sixth. The charitable contributions amendment, on page 385, line 1, through page 386, line 6.

Seventh. The determination of the number of stockholders committee amendment, on page 386, line 7, through page 388, line 10.

Eighth. The committee amendment on the Twin Cities Street Railway, on page 388, line 11, through page 389, line 14.

Ninth. The committee amendment on the pension plan for the Hod Carriers Union, on page 389, line 15, through page 390, line 8.

Tenth. The committee amendment on the surviving partner in a two-man partnership, on page 390, line 9, through page 391, line 21.

Eleventh. The committee amendment on page 305, in lines 23 and 24.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield.

Mr. GORE. The last six amendments are not major ones, except the very last one, which is the——

Mr. KERR. I think the Senator from Tennessee means the last seven.

Mr. GORE. Yes, except the last one, which has been temporarily requested by the senior Senator from Ohio. They are proposed additions to the bill or so-called riders to the bill——

Mr. KERR. They are not completely related to the other parts of the bill.

Mr. GORE. That is correct. So this proposed agreement will reduce the number of controversial committee amendments to five major subject matters; and, in addition, the agreement will make it in order, before action on any of these exceptions to the en bloc agreement, for the chairman of the committee to offer an amendment to section 2.

Mr. SMATHERS. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I yield.

Mr. SMATHERS. The amendment the able chairman of the committee expects to offer deals with the investment credit provision, does it not?

Mr. KERR. That is correct; and it is one of the amendments which, under the proposed unanimous-consent agreement, will become part of the original text of the bill, and subject to further amendment.

Mr. JAVITS. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I yield.

Mr. JAVITS. What will be the situation of Senators who wish to amend section 12, relating to controlled foreign corporations?

Mr. KERR. As I understand, any Senator who wishes to have any part of the bill amended will be in a position identically the same as that he would be in either if this unanimous-consent request is agreed to or if it is not agreed to. Ordinarily a unanimous-consent agreement is made in regard to all committee amendments—in other words, that they be agreed to en bloc and considered part of the original text to the bill, and subject to further amendment. But such a unanimous-consent request, when made yesterday, was objected to.

The unanimous-consent agreement now being requested is proposed after consultation with Senators who lodged the objection yesterday.

The result of this unanimous-consent agreement, if entered into, will be that all of the committee amendments, except the 11 committee amendments specifically excepted, will be agreed to en bloc, and of course, will be subject to amendment by any Member, but not until the committee amendments which have not been agreed to and have not, by means of this agreement, been made part of the original text, and subject to amendment, have been acted upon, whereupon, after the action on all the committee amendments is completed, the ones agreed to will be part of the original text; and then the entire bill, as it then will stand, will be subject to amendment, the same as though the request made yesterday had been agreed to.

Mr. JAVITS. In dealing with those 11 amendments, would it be more efficient to complete our action on them before other amendments are offered?

Mr. KERR. That would be in order.

Mr. JAVITS. Perhaps I misunderstood the Senator.

Mr. KERR. Then let me address a parliamentary inquiry to the Chair:

When a committee amendment is not made a part of the original text, is not that amendment open to amendment when the Senate is considering it?

The PRESIDING OFFICER. The answer is in the affirmative.

Mr. JAVITS. Mr. President, a parliamentary inquiry: When amendments are offered to amendments which have not been made part of the original text, are not such amendments therefore limited to amendments in the second degree—which means only one amendment or no substitute?

The PRESIDING OFFICER. As a general rule, amendments in the second degree are always in order.

Mr. JAVITS. And therefore, in the case of amendments which are not incorporated in the bill as part of the original text, there would be the possibility of only one amendment, which would itself be a second-degree amendment?

The PRESIDING OFFICER. One amendment to the amendment.

Mr. JAVITS. Yes.

Let me ask the Senator from Oklahoma whether among the 11 committee amendments enumerated is included the entire committee amendment with regard to controlled foreign corporations—section 12?

Mr. KERR. No, it is not.

Mr JAVITS. So that would be in the original text of the bill, as covered by the unanimous-consent request?

Mr. KERR. Yes.

Mr. JAVITS. Does the proposed agreement also include the savings and loan provision?

Mr. KERR. Yes.

Mr. JAVITS. So that one, too, under this agreement, would be made part of the original text?

Mr. KERR. Yes.

Mr. DOUGLAS. Mr. President, will the Senator from Oklahoma yield for a clarification and explanation of a point?

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). Does the Senator from Oklahoma yield to the Senator from Illinois?

Mr. KERR. I yield.

Mr. DOUGLAS. In the original discussions with the Senator from Oklahoma, it was proposed by the Senator from Tennessee [Mr. GORE] and myself that the lobbying provision would also have to be proposed as a committee amendment. It will be noticed, upon a close reading of the RECORD, that this one is not now included in the exceptions.

Mr. KERR. Yes.

Mr. DOUGLAS. And this has been done with the full agreement of the Senator from Tennessee [Mr. GORE] and myself.

I think perhaps it is appropriate, however, that the RECORD should show why we agreed to this. It will be remembered that the original House bill made no alteration in the law concerning deductions for lobbying. The House Ways and Means Committee, at the last moment, without anyone really knowing what had happened, added a provision which permitted deductions for direct lobbying by business interests which had a business concern in legislation. This legitimatized tax deductions for direct lobbying on the part of officers, employees, and other representatives, and mass representation before not only Congress, but State legislatures, local councils, county bodies, and the like.

The Senate Finance Committee endorsed this provision and went it one better. It also permitted deductions for expenses connected with all communications on legislation between officers of the companies, stockholders, members, and employees, so that a company could circularize its stockholders, employees, and associates against a measure and get them to lobby and charge this as a business lobbying deduction. In other words, it would have permitted as a deduction from taxable income expenses in connection with efforts made by building and loan associations and certain mutual savings banks to strike out the withholding plan, and would legitimatize and have the Treasury pay 52 percent of the expenses of DuPont Co. in connection with efforts in favor of the DuPont tax bill which Congress passed so overwhelmingly in the early part of the year.

Likewise, it would permit the deduction of expenses by A.T. & T. in getting the satellite communications bill through Congress so that Uncle Sam would pick up 52 percent of those costs.

In the opinion of some of us, this is a gross abuse, and we object not only to the Senate amendment, but to the House provision.

Therefore, for technical reasons, in order to have one vote taken instead of two, we have agreed to the committee amendment on this point with the understanding that at an appropriate time I shall offer an amendment to strike both the House and the Senate provisions.

I will say in advance we will not prolong the discussion on this point. I think it could well be concluded, in view of the adequate discussion which we had yesterday in 1½ or 2 hours. On behalf of the Senator from Tennessee, the Senator from Wisconsin, and myself, I am ready to agree to a limitation of 2 hours on this amendment when such a request is made, and I hope no motion to table will be entered against it.

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

Mr. DOUGLAS. I yield.

Mr. MANSFIELD. I think the Senator is more than fair. If it is agreeable, I would like to give favorable consideration to a limitation of 2 hours on that particular amendment.

Mr. DOUGLAS. It is understood, I hope, that this exclusion of the lobbying provision from the agreement which is now being made does not mean in any degree that those who are opposed to both lobbying amendments have folded their tents and withdrawn from the battle. Quite the contrary, is true; we are going to take the field and do our best. In the meantime, I strongly urge Members of the Senate, of the press, and citizens to read the debate of yesterday on lobbying, because I think these provisions are indefensible.

At present the law is neutral so far as lobbying is concerned. The law does not permit deductions either by special business interests or advocates of the general interest. But this amendment would permit the special interests to take their deductions, but would not permit the individual citizen to get the deduction. It would be difficult for him to do that, anyway; but this is a one-sided furnishing of additional weapons to those who already have nearly all the resources.

I do not think the conscience of the country can long stand these two amendments.

I make this explanation so that we can know exactly where the lines of battle are drawn and what the issues are.

I thank the Senator from Oklahoma for giving me permission to make this statement.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

The amendments agreed to en bloc are as follows:

At the top of page 2, in the table of contents, to strike out:

"Sec. 1. Short title, etc.
(a) Short title.
(b) Table of contents.
(c) Amendment of 1954 code.
"Sec. 2. Credit for investment in certain depreciable property.
(a) Allowance of credit.
(b) Rules for computing credit.
(c) Certain corporate acquisitions.
(d) Clerical amendments.
(e) Effective date.
"Sec. 3. Appearances, etc., with respect to legislation.
(a) In general.
(b) Effective date.
"Sec. 4. Disallowance of certain entertainment, etc., expenses.
(a) Denial of deduction.
(b) Traveling expenses.
(c) Effective date.
"Sec. 5. Amount of distribution where certain foreign corporations distribute property in kind.
(a) Amount distributed.
(b) Basis.
(c) Dividends received from certain foreign corporations.
(d) Credit for foreign taxes.
(e) Effective date.
"Sec. 6. Amendment of section 482.
(a) In general.
(b) Clerical amendment.
(c) Effective date.
"Sec. 7. Distributions of foreign personal holding company income.
(a) Definition of foreign personal holding company.
(b) Amount of undistributed income.
(c) Effective date.
"Sec. 8. Mutual savings banks, etc.
(a) Reserves for losses on loans.
(b) Foreclosure on property securing loans.
(c) Definition of domestic building and loan association.
(d) Clerical amendments.
(e) Repeal of exemption from communications and transportion of persons taxes.
(f) Effective dates.
"Sec. 9. Distributions by foreign trusts.
(a) Definitions.
(b) Accumulation distributions of foreign trusts.
(c) Allocation of accumulation distributions to preceding years.

(d) Amounts treated as received in prior years.
(e) Special rules for foreign trusts.
(f) Information returns with respect to foreign trusts.
(g) Failure to file information returns.
(h) United States person defined.
(i) Technical amendments.
(j) Effective date.

"Sec. 10. Mutual insurance companies (other than life, marine, and certain fire insurance companies), etc.
(a) Imposition of tax.
(b) Taxable investment income.
(c) Statutory underwriting income or loss.
(d) Mutual fire insurance companies operating on basis of premium deposits.
(e) Election of certain mutual companies to be taxed on total income.
(f) Technical amendments, etc.
(g) Effective date.

"Sec. 11. Domestic corporations receiving dividends from foreign corporations.
(a) Entire amount of foreign tax to be taken into account.
(b) Inclusion in gross income of amount equal to taxes deemed paid.
(c) Determination of source of dividends received from certain foreign corporations.
(d) Repeal of section 902(d).
(e) Technical amendments.
(f) Effective date.

"Sec. 12. Earned income from sources without the United States.
(a) Limitation on amount and type of income excluded.
(b) Computation of employees' contributions.
(c) Effective date.

"Sec. 13. Controlled foreign corporations.
(a) In general.
(b) Technical and clerical amendments.
(c) Effective date.

"Sec. 14. Gain from dispositions of certain depreciable property.
(a) In general.
(b) Change in method of depreciation.
(c) Salvage value of personal property.
(d) Special rule for charitable contributions of section 1245 property.
(e) Technical amendments.
(f) Effective date.

"Sec. 15. Foreign investment companies.
(a) Treatment of sale of stock of foreign investment companies.
(b) Conforming amendments.
(c) Effective date.

"Sec. 16. Gain from certain sales or exchanges of stock in certain foreign corporations.
(a) Treatment of gain from the redemption, cancellation, or sale of stock in certain corporations.
(b) Clerical amendment.
(c) Effective date.

"Sec. 17. Tax treatment of cooperatives and patrons.
(a) In general.
(b) Technical amendments.
(c) Effective dates.

"Sec. 18. Inclusion of foreign real property in gross estate.
(a) Amendments to include foreign real property.
(b) Effective date.

"Sec. 19. Withholding of income tax at source on interest, dividends, and patronage dividends.
(a) In general.
(b) Credits against income tax for tax withheld.
(c) Interest and dividends paid to nonresident aliens, etc.
(d) Credit for States and tax exempt organizations.
(e) Other technical amendments.
(f) Effective dates.

"Sec. 20. Information with respect to certain foreign entities.
(a) Information to be furnished by individuals, domestic corporations, etc., with respect to certain foreign corporations.
(b) Information as to organization or reorganization of foreign corporations and as to acquisitions of their stock.
(c) Civil penalty for failure to file return.
(d) Technical amendments.
(e) Effective date.

"Sec. 21. Treaties."

And, in lieu thereof, to insert:

"Sec. 1. Short title, etc.
(a) Short title.
(b) Table of Contents.
(c) Amendment of 1954 code.

"Sec. 2. Credit for investment in certain depreciable property.
(a) Allowance of credit.
(b) Rules for computing credit.
(c) Deduction for unused credit.
(d) Certain corporate acquisitions.
(e) Statutes of limitations and interest relating to investment credit carrybacks.
(f) Technical amendment.
(g) Clerical amendments.
(h) Effective date.

"Sec. 3. Appearances etc., with respect to legislation.
(a) In general.
(b) Effective date.

"Sec. 4. Disallowance of certain entertainment, etc., expenses.
(a) Denial of deduction.
(b) Traveling expenses.
(c) Effective date.

"Sec. 5. Amount of distribution where certain foreign corporations distribute property in kind.
(a) Amount distributed.
(b) Basis.
(c) Dividends received from certain foreign corporations.
(d) Effective date.

"Sec. 6. Mutual savings banks, etc.
(a) Reserves for losses on loans.
(b) Foreclosure on property securing loans.
(c) Definition of domestic building and loan association.
(d) Clerical amendments.
(e) Repeal of exemption from certain excise taxes.
(f) Deduction for dividends or interest paid on deposits.
(g) Effective dates.

"Sec. 7. Distribution by foreign trusts.
(a) Definitions.
(b) Accumulation distributions of foreign trusts.
(c) Allocation of accumulation distributions to preceding years.
(d) Amounts treated as received in prior years.
(e) Special rules for foreign trusts.
(f) Information returns with respect to foreign trusts.
(g) Failure to file information returns.
(h) United States person defined.
(i) Technical amendments.
(j) Effective date.

"Sec. 8. Mutual insurance companies (other than life, marine, and certain fire and flood insurance companies), etc.
(a) Imposition of tax.
(b) Taxable investment income.
(c) Statutory underwriting income or loss.
(d) Exemption from tax.
(e) Mutual fire insurance companies operating on basis of premium deposits.
(f) Election of certain mutual companies to be taxed on total income.
(g) Technical amendments, etc.
(h) Effective date.

"Sec. 9. Domestic corporations receiving dividends from foreign corporations.
(a) Foreign taxes deemed paid by domestic corporations.
(b) Inclusion in gross income of amount equal to taxes deemed paid.
(c) Determination of source of dividends received from certain foreign corporations.
(d) Technical amendments.
(e) Effective date.

"Sec. 10. Separate limitation on foreign tax credit with respect to certain interest income.
(a) Limitation on foreign tax credit.
(b) Effective date.

"Sec. 11. Earned income from sources without the United States.
(a) Limitation on amount and type of income excluded.
(b) Computation of employees' contributions.
(c) Effective date.

"Sec. 12. Controlled foreign corporations.
(a) In general.
(b) Technical and clerical amendments.
(c) Effective date.

"Sec. 13. Gain from dispositions of certain depreciable property.
(a) In general.
(b) Change in method of depreciation.
(c) Salvage value of personal property.
(d) Special rule for charitable contributions of section 1245 property.
(e) Computation of taxable income for purposes of limitation on percentage depletion deduction.
(f) Technical amendments.
(g) Effective dates.

"Sec. 14. Foreign investment companies.
(a) Treatment of sale of stock of foreign investment companies.
(b) Conforming amendments.
(c) Effective date.

"Sec. 15. Gain from certain sales or exchanges of stock in certain foreign corporations.
(a) Treatment of gain from the redemption, cancellation, or sale of stock in certain foreign corporations.
(b) Clerical amendment.
(c) Effective date.

"Sec. 16. Sales and exchanges of patents, etc., to certain foreign corporations.

(a) Treatment of gain as ordinary income.
(b) Clerical amendment.
(c) Effective date.

"Sec. 17. Tax treatment of cooperatives and patrons.
(a) In general.
(b) Technical amendments.
(c) Effective dates.

"Sec. 18. Inclusion of foreign real property in gross estate.
(a) Amendments to include foreign real property.
(b) Effective date.

"Sec. 19. Reporting of interest, dividend, and patronage dividend payments of $10 or more during a year.
(a) Returns regarding payment of dividends.
(b) Returns regarding payment of patronage dividends.
(c) Returns regarding payment of interest.
(d) Penalties for failure to file information returns.
(e) Penalties for failure to furnish statements to persons with respect to whom returns are filed.
(f) Technical amendments.
(g) Clerical amendments.
(h) Effective dates.

"Sec. 20. Information with respect to certain foreign entities.
(a) Information to be furnished by individuals, domestic corporations, etc., with respect to certain foreign corporations.
(b) Information as to organization or reorganization of foreign corporations and as to acquisitions of their stock.
(c) Civil penalty for failure to file return.
(d) Technical amendments.
(e) Effective date.

"Sec. 21. Expenditures by farmers for clearing land.
(a) Allowance of deduction.
(b) Clerical amendment.
(c) Effective date.

"Sec. 22. Charitable contributions made from income attributable to several taxable years.
(a) Treatment for purposes of part I of subchapter Q.
(b) Effective date.

"Sec. 23. Effective date of section 1371(c) of the Internal Revenue Code of 1954.
(a) In general.
(b) Election and consent by corporations; consents by shareholders.
(c) Tolling of statutes of limitations.

"Sec. 24. Certain losses sustained in converting from street railway to bus operations.
(a) In general.
(b) Unused conversion loss defined.
(c) Treatment of unused conversion loss.
(d) Regulations.

"Sec. 25. Pension plan of Local Union Numbered 435, International Hod Carriers' Building and Common Laborers' Union of America.

"Sec. 26. Continuation of a partnership year for surviving partner in a two-man partnership when one dies.
(a) Close of taxable year of two-man partnership when one partner dies.
(b) Effective date, etc.

"Sec. 27. Treaties."

On page 8, line 2, after the word "Code" and the period, to strike out "Whenever" and insert "Except as otherwise expressly provided, whenever".

In section 2, on page 8, line 12, after the word "section", where it appears the second time, to strike out "40" and insert "39"; on page 11, at the beginning of line 3, to insert "carryback or"; after line 16, to strike out:

"(b) 5-YEAR CARRYOVER OF UNUSED CREDITS.—

"(1) ALLOWANCE OF CREDIT.—If the amount of the credit determined under subsection (a)(1) for any taxable year exceeds the limitation provided by subsection (a)(2) for such taxable year (hereinafter in this subsection referred to as 'unused credit year'), such excess shall be added to the amount allowable as a credit by section 38 for each of the 5 succeeding taxable years to the extent not taken into account for taxable years intervening between the unused credit year and such succeeding taxable year.

"(2) LIMITATIONS.—The amount of the unused credit which may be added under paragraph (1) for any succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a)(2) for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a)(1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to taxable years preceding the unused credit year."

And, in lieu thereof, to insert:

"(b) CARRYBACK AND CARRYOVER OF UNUSED CREDITS.—

"(1) ALLOWANCE OF CREDIT.—If the amount of the credit determined under subsection (a)(1) for any taxable year exceeds the limitation provided by subsection (a)(2) for such taxable year (hereinafter in this subsection referred to as 'unused credit year'), such excess shall be—

"(A) an investment credit carryback to each of the 3 taxable years preceding the unused credit year, and

"(B) an investment credit carryover to each of the 5 taxable years following the unused credit year,

and shall be added to the amount allowable as a credit by section 38 for such years, except that such excess may be a carryback only to taxable years ending after June 30, 1962. The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the 8 taxable years to which (by reason of subparagraphs (A) and (B)) such credit may be carried, and then to each of the other 7 taxable years to the extent that, because of the limitation contained in paragraph (2), such unused credit may not be added for a prior taxable year to which such unused credit may be carried.

"(2) LIMITATION.—The amount of the unused credit which may be added under paragraph (1) for any preceding or succeeding taxable year shall not exceed the amount by which the limitation provided by subsection (a)(2) for such taxable year exceeds the sum of—

"(A) the credit allowable under subsection (a)(1) for such taxable year, and

"(B) the amounts which, by reason of this subsection, are added to the amount allowable for such taxable year and attributable to taxable years preceding the unused credit year.

"(3) EFFECT OF NET OPERATING LOSS CARRYBACK.—To the extent that the excess described in paragraph (1) arises by reason of a net operating loss carryback, subparagraph (A) of paragraph (1) shall not apply.

"(4) TAXABLE YEARS BEGINNING BEFORE JULY 1, 1962.—For purposes of determining the amount of an investment credit carryback that may be added under paragraph (1) for taxable years beginning before July 1, 1962, and ending after June 30, 1962, the amount of the limitation provided by subsection (a)(2) is the amount which bears the same ratio to such limitation as the number of days in such year after June 30, 1962, bears to the total number of days in such year."

On page 16, after line 15, to insert:

"(4) CERTAIN REPLACEMENT PROPERTY.—For purposes of paragraph (1), if section 38 property is placed in service by the taxpayer to replace property which was—

"(A) destroyed or damaged by fire, storm, shipwreck, or other casualty, or

"(B) stolen,

the basis of such section 38 property (in the case of new section 38 property), or the cost of such section 38 property (in the case of used section 38 property), which (but for this paragraph) would be taken into account under paragraph (1) shall be reduced by an amount equal to the amount received by the taxpayer as compensation, by insurance or otherwise, for the property so destroyed, damaged, or stolen, or to the adjusted basis of such property, whichever is the lesser. No reduction in basis or cost shall be made under the preceding sentence in any case in which the reduction in qualified investment attributable to the substitution required by section 47(a)(1) with respect to the property so destroyed, damaged, or stolen (determined without regard to section 47(a)(4)) is greater than the reduction described in the preceding sentence."

On page 20, line 13, after "(3)" to strike out "Carryovers" and insert "Carrybacks and Carryovers", and in line 16, after the word "the" to insert "carrybacks and".

On page 20, after line 18, to insert:

"(4) PROPERTY DESTROYED BY CASUALTY, ETC.— No increase shall be made under paragraph (1) and no adjustment shall be made under paragraph (3) in any case in which—

"(A) any property is disposed of, or otherwise ceases to be section 38 property with respect to the taxpayer, on account of its destruction or damage by fire, storm, shipwreck, or other casualty, or by reason of its theft,

"(B) section 38 property is placed in service by the taxpayer to replace the property described in subparagraph (A), and

"(C) the reduction in basis or cost of such section 38 property described in the first sentence of section 46(c)(4) is greater than the reduction in qualified investment which (but for this paragraph) would be made by reason of the substitution required by paragraph (1) with respect to the property described in subparagraph (A)."

On page 25, after line 9, to insert:

"(6) LIVESTOCK.—Livestock shall not be treated as section 38 property."

On page 25, line 16, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; in line 18, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; in line 24, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; on page 26, line 4, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962"; on page 28, line 4, after the word "of", to insert "(other than by reason of its destruction or damage by fire, storm, shipwreck, or other casualty, or its theft)"; in line 16, after the word "credit" to insert "carrybacks or"; on page 29, line 4, after "section 46 (d))", to strike out "engaged in the business of leasing property" and insert "who is a lessor of property"; in line 25, after the word "property", to insert "If a lessor makes the election provided by this subsection with respect to any property, then, under regulations prescribed by the Secretary or his delegate, subsection (g) shall not apply with respect to such property and the deductions otherwise allowable under section 162 to the lessee for amounts paid to the lessor under the lease shall be adjusted in a manner consistent with the provisions of subsection (g)."; on page 31, after line 16, to insert:

"(g) ADJUSTMENTS TO BASIS OF PROPERTY.—

"(1) IN GENERAL.—The basis of any section 38 property shall be reduced, for purposes

of this subtitle other than this subpart, by an amount equal to 7 percent of the qualified investment as determined under section 46(c) with respect to such property.

"(2) CERTAIN DISPOSITIONS, ETC.—If the tax under this chapter is increased for any taxable year under paragraph (1) or (2) of section 47(a) or an adjustment in carrybacks or carryovers is made under paragraph (3) of such section, the basis of the property described in such paragraph (1) or (2), as the case may be (immediately before the event on account of which such paragraph (1), (2), or (3) applies), shall be increased by an amount equal to the portion of such increase and the portion of such adjustment attributable to such property."

On page 32, at the beginning of line 9, to strike out "(g)" and insert "(h) CROSS REFERENCE.—"; at the beginning of line 10, to insert:

"(c) DEDUCTION FOR UNUSED CREDIT.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by adding at the end thereof the following new section:

"SEC. 181. DEDUCTION FOR CERTAIN UNUSED INVESTMENT CREDIT

"'If the amount of the credit determined under section 46(a)(1) for any taxable year exceeds the limitation provided by section 46(a)(2) for such taxable year and if the amount of such excess has not, after the application of section 46(b), been allowed to the taxpayer as a credit under section 38 for any taxable year, then an amount equal to the amount of such excess not so allowed as a credit shall be allowed to the taxpayer as a deduction for the first taxable year following the last taxable year in which such excess could under section 46(b) have been allowed as a credit. If a taxpayer dies or ceases to exist prior to the first taxable year following the last taxable year in which the excess described in the preceding sentence could under section 46(b) have been allowed as a credit, the amount described in the preceding sentence, or the proper portion thereof, shall, under regulations prescribe by the Secretary or his delegate, be allowed to the taxpayer as a deduction for the taxable year in which such death or cessation occurs.'"

On page 33, at the beginning of line 10, to strike out "(c)" and insert "(d)"; after line 22, to insert:

"(e) STATUTES OF LIMITATIONS AND INTEREST RELATING TO INVESTMENT CREDIT CARRYBACKS.—

"(1) ASSESSMENT AND COLLECTION.—Section 6501 (relating to limitations on assessment and collection) is amended by redesignating subsection (j) as subsection (k), and inserting after subsection (i) the following new subsection:

"'(j) INVESTMENT CREDIT CARRYBACKS.—In the case of a deficiency attributable to the application to the taxpayer of an investment credit carryback, such deficiency may be assessed at any time before the expiration of the period within which a deficiency for the taxable year of the unused investment credit which results in such carryback may be assessed.'

"(2) CREDIT OR REFUND.—Subsection (d) of section 6511 (relating to limitations on credit or refund) is amended by adding after paragraph (3) thereof the following new paragraph:

"'(4) SPECIAL PERIOD OF LIMITATION WITH RESPECT TO INVESTMENT CREDIT CARRYBACKS.—

"'(A) PERIOD OF LIMITATION.—If the claim for credit or refund relates to an overpayment attributable to an investment credit carryback, in lieu of the 3-year period of limitation prescribed in subsection (a), the period shall be that period which ends with the expiration of the 15th day of the 40th month (or 39th month, in the case of a corporation) following the end of the taxable year of the unused investment credit which results in such carryback, or the period prescribed in subsection (c) in respect of such taxable year, whichever expires later. In the case of such a claim, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in subsection (b)(2) or (c), whichever is applicable, to the extent of the amount of the overpayment attributable to such carryback.

"'(B) APPLICABLE RULES.—If the allowance of a credit or refund of an overpayment of tax attributable to an investment credit carryback is otherwise prevented by the operation of any law or rule of law other than section 7122, relating to compromises, such credit or refund may be allowed or made, if claim therefor is filed within the period provided in subparagraph (A) of this paragraph. In the case of any such claim for credit or refund, the determination by any court, including the Tax Court, in any proceeding in which the decision of the court has become final, shall not be conclusive with respect to the investment credit, and the effect of such credit, to the extent that such credit is affected by a carryback which was not in issue in such proceeding.'

"(3) INTEREST ON UNDERPAYMENTS.—Section 6601(e) (relating to interest on underpayment, nonpayment, or extensions of time for payment, of tax) is amended to read as follows:

"'(e) INCOME TAX REDUCED BY CARRYBACK.—

"'(1) NET OPERATING LOSS CARRYBACK.—If the amount of any tax imposed by subtitle A is reduced by reason of a carryback of a net operating loss, such reduction in tax shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the net operating loss arises.

"'(2) INVESTMENT CREDIT CARRYBACK.—If the credit allowed by section 38 for any taxable year is increased by reason of an investment credit carryback, such increase shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the investment credit carryback arises.'

"(4) INTEREST ON OVERPAYMENTS.—Section 6611(f) (relating to interest on overpayments) is amended to read as follows:

"'(f) REFUND OF INCOME TAX CAUSED BY CARRYBACK.—

"'(1) NET OPERATING LOSS CARRYBACK.—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from a carryback of a net operating loss, such overpayment shall be deemed not to have been made prior to the close of the taxable year in which such net operating loss arises.

"'(2) INVESTMENT CREDIT CARRYBACK.—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from an investment credit carryback, such overpayment shall be deemed not to have been made prior to the close of the taxable year in which such investment credit carryback arises.'

"(f) TECHNICAL AMENDMENT. — Section 1016(a) (relating to adjustments to basis) is amended—

"(1) by striking out the period at the end of paragraph (18) and inserting in lieu thereof a semicolon; and

"(2) by adding after paragraph (18) the following new paragraph:

"'(19) to the extent provided in section 48(g) in the case of property which is or has been section 38 property (as defined in section 48(a));'."

On page 37, after line 23, to strike out:

"(d) CLERICAL AMENDMENT.—Part IV of subchapter A of chapter 1 is amended by inserting after the heading and before the table of sections the following:"

On page 38, after line 2, to insert:

"(g) CLERICAL AMENDMENTS.—

"(1) Part IV of subchapter A of chapter 1 is amended by inserting after the heading and before the table of sections the following:"

After line 7, to insert:

"(2) The table of sections for part IV of subchapter A of chapter 1 is amended by striking out

"'Sec. 38. Overpayments of tax.'

and inserting in lieu thereof

"'Sec. 38. Investment in certain depreciable property.

"'Sec. 39. Overpayments of tax.'

"(3) The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end thereof the following:

"'Sec. 181. Deduction for certain unused investment credit.'"

At the beginning of line 14, to strike out "(e)" and insert "(h)"; in line 16, after the word "after", to strike out "December 31, 1961" and insert "June 30, 1962".

In section 3, on page 39, line 18, after the word "taxpayer", to strike out "or"; in line 23, after the word "organization", to insert a comma and "or"; after line 23, to insert:

"(C) in direct connection with communication of information between the taxpayer and an employee or stockholder with respect to legislation or proposed legislation of direct interest to the taxpayer,"

On page 43, line 1, after the word "this", to strike out "chapter." and insert "chapter, but such term does not include—

"(A) an item having a cost to the taxpayer not in excess of $4.00 on which the name of the taxpayer is clearly and permanently imprinted and which is one of a number of identical items distributed generally by the taxpayer,

"(B) a sign, display rack, or other promotional material to be used on the business premises of the recipient, or

"(C) an item of tangible personal property having a cost to the taxpayer not in excess of $100 which is awarded to an employee by reason of length of service or for safety achievement."

After line 21, to insert:

"(c) TRAVELING.—In the case of any individual who is traveling away from home in pursuit of a trade or business or in pursuit of an activity described in section 212, no deduction shall be allowed under section 162 or section 212 for that portion of the expenses of such travel otherwise allowable under such section which, under regulations prescribed by the Secretary or his delegate, is not allocable to such trade or business or to such activity. This subsection shall not apply to the expenses of any travel away from home which does not exceed one week or where the portion of the time away from home which is not attributable to the pursuit of the taxpayer's trade or business or an activity described in section 212 is less than 25 percent of the total time away from home on such travel."

On page 44, at the beginning of line 11, to strike out "(c)" and insert "(d)"; on page 45, at the beginning of line 8, to strike out "(d)" and insert "(e)"; on page 46, line 20, after the word "section", to strike out "(c)" and insert "(d)"; on page 47, after line 7, to strike out:

"(6) EMPLOYEE AND STOCKHOLDER BUSINESS MEETINGS.—Expenses directly related to business meetings of employees or stockholders."

And, in lieu thereof, to insert:

"(6) EMPLOYEE, STOCKHOLDER, ETC., BUSINESS MEETINGS.—Expenses incurred by a taxpayer which are directly related to business meetings of his employees, stockholders, agents, or directors."

On page 48, at the beginning of line 7, to strike out "(e)" and insert "(f)"; at the beginning of line 13, to strike out "(f)" and insert "(g)"; at the beginning of line 19, to strike out "(g)" and insert "(h)"; on page 49, line 6, after the word "including",

to strike out "a reasonable allowance for amounts expended for meals and lodging" and insert "amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances"; at the beginning of line 12, to strike out "June 30, 1962" and insert "December 31, 1962".

In section 5, on page 51, after line 15, to strike out:

"(d) CREDIT FOR FOREIGN TAXES.—Section 902(a) (relating to credit for foreign taxes) is amended by adding at the end thereof the following new sentence: 'For purposes of this subsection and subsection (b), the amount of any distribution in property other than money shall be the amount determined by applying section 301(b)(1)(B)'."

At the beginning of line 22, to strike out "(e)" and insert "(d)".

At the top of page 58, to strike out:

"Sec. 7. Distributions of foreign personal holding company income.

"(a) DEFINITION OF FOREIGN PERSONAL HOLDING COMPANY.—So much of subsection (a) of section 552 (relating to definition of foreign personal holding company) as precedes paragraph (2) is amended to read as follows:

"'(a) GENERAL RULE.—For purposes of this subtitle, the term "foreign personal holding company" for a taxable year beginning after December 31, 1962, means any foreign corporation if—

"'(1) GROSS INCOME REQUIREMENT.—At least 20 percent of its gross income (as defined in section 555(a)) for the taxable year is foreign personal holding company income (as defined in section 553). For purposes of this paragraph, there shall be included in the gross income the amount includible therein as a dividend by reason of the application of section 555(c)(2); and'.

"(b) AMOUNT OF UNDISTRIBUTED INCOME.—Subsection (a) of section 556 (relating to undistributed foreign personal holding company income) is amended to read as follows:

"'(a) DEFINITION.—For purposes of this part—

"'(1) If the foreign personal holding company income of a foreign personal holding company exceeds 80 percent of its gross income, "undistributed foreign personal holding company income" of such company is its taxable income adjusted in the manner provided in subsection (b), minus the dividends paid deduction (as defined in section 561).

"'(2) If the foreign personal holding company income of a foreign personal holding company does not exceed 80 percent of its gross income, the "undistributed foreign personal holding company income" of such company is that amount which bears the same ratio to—

"'(A) its taxable income adjusted in the manner provided in subsection (b), minus the dividends paid deduction (as defined in section 561), as

"'(B) its foreign personal holding company income bears to its gross income.'

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply only in respect of taxable years of foreign corporations beginning after December 31, 1962."

On page 59, at the beginning of line 19, to change the section number from "8" to "6"; on page 60, line 17, after the word "largest", to insert a comma and "but the amount determined under this subparagraph, when added to the amount determined under subparagraph (A), shall in no case be greater than the amount by which 12 percent of the total deposits or withdrawable accounts of depositors of the taxpayer at the close of such year exceeds the sum of its surplus, undivided profits, and reserves at the beginning of such year (taking into account any portion thereof attributable to the period before the first taxable year beginning after December 31, 1951)"; on page 61, line 3, after "(2)", to strike out "60 Percent and insert "Percentage"; after line 5, to strike out:

"(A) an amount equal to 60 percent of the taxable income for such year, over"

And, in lieu thereof, to insert:

"(A) an amount—

"(i) in the case of a taxpayer other than a taxpayer described in clause (ii), equal to 60 percent of the taxable income for such year, or

"(ii) in the case of a domestic building and loan association having capital stock with respect to which any distribution of property (as defined in section 317(a)) is not allowable as a deduction under section 591, equal to 50 percent of the taxable income for such year, over

In line 20, after the word "such", to strike out "year." and insert "year, but the amount determined under this paragraph shall not exceed the amount necessary to increase the balance (as of the close of the taxable year) of the reserve for losses on qualifying real property loans to 6 percent of such loans outstanding at such time."; on page 62, line 6, after "(3)" to strike out "3 percent" and insert "percentage"; in line 11, after the word "loans", to strike out "to 3 percent of such loans outstanding at such time." and insert "to an amount equal to—

"(A) 3 percent of such loans outstanding at such time, plus

"(B) in the case of a taxpayer which is a new company and which does not have capital stock with respect to which distributions of property (as defined in sections 317 (a)) are not allowable as a deduction under section 591, an amount equal to—

"(i) 2 percent of so much of the amount of such loans outstanding at such time as does not exceed $4,000,000, reduced (but not below zero) by

"(ii) the amount, if any, of the balance (as of the close of such taxable year) of the taxpayer's supplemental reserve for losses on loans.

For purposes of subparagraph (B), a taxpayer is a new company for any taxable year only if such taxable year begins not more than 10 years after the first day on which it (or any predecessor) was authorized to do business as an organization described in subsection (a)."

On page 64, line 21, after the word "paragraph", to strike out "(3)" and insert "(3)(A)".

On page 65, after line 10, to insert:

"(5) CERTAIN PRE-1952 SURPLUS.—If after the application of paragraph (3), the opening balance of the reserve described in paragraph (2)(B) is less than the amount described in paragraph (3)(B), then, for purposes of this subsection, the term 'pre-1963 reserves' includes so much of the surplus, undivided profits, and bad debt reserves (determined as of December 31, 1962) attributable to the period before the first taxable year beginning after December 31, 1951, as does not exceed the amount by which such opening balance is less than the amount described in paragraph (3)(B). For purposes of the preceding sentence, the surplus, undivided profits, and bad debt reserves attributable to the period before the first taxable year beginning after December 31, 1951, shall be reduced by the amount thereof which is attributable to interest which would have been excludable from gross income under section 22(b)(4) of the Internal Revenue Code of 1939 (relating to interest on governmental obligations) or the corresponding provisions of prior laws. Notwithstanding the second sentence of paragraph (1), any amount which, by reason of the application of the first sentence of this paragraph, is allocated to the reserve described in paragraph (2)(B) shall not be treated as a reserve for bad debts for any purpose other than determining the amount referred to in subsection (b)(1)(B), and for such purpose such amount shall be treated as remaining in such reserve."

On page 66, at the beginning of line 14, to strike out "(5)" and insert "(6)"; on page 67, line 10, after the word "section", to strike out "8" and insert "6"; in line 17, after the word "section", to strike out "8" and insert "6"; on page 73, after line 4, to strike out:

"(19) DOMESTIC BUILDING AND LOAN ASSOCIATION.—The term 'domestic building and loan association' means a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association, which—

"(A) is an insured institution (within the meaning of section 401(a) of the National Housing Act (12 U.S.C., sec. 1724 (a)), or

"(B) is subject by law to supervision and examination by State or Federal authority having supervision over such associations,

if substantially all of its business consists of accepting savings and investing the proceeds (i) in loans secured by an interest in real property which is (or, from the proceeds of the loan, will become) residential real property, and (ii) in other loans, to the extent such other loans would be authorized to be made by a Federal savings and loan association under section 5(c) of the Home Owners' Loan Act, as amended (12 U.S.C., sec. 1464(c))."

And, in lieu thereof, to insert:

"(19) DOMESTIC BUILDING AND LOAN ASSOCIATION.—The term 'domestic building and loan association' means a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association—

"(A) which either (i) is an insured institution (within the meaning of section 401(a) of the National Housing Act (12 U.S.C., sec. 1724(a)), or (ii) is subject by law to supervision and examination by State or Federal authority having supervision over such associations;

"(B) substantially all of the business of which consists of acquiring the savings of the public and investing in loans described in subparagraph (C);

"(C) at least 90 percent of the amount of the total assets of which (as of the close of the taxable year) consists of (i) cash, (ii) obligations of the United States or of a State or political subdivision thereof, and stock or obligations of a corporation which is an instrumentality of the United States or of a State or political subdivision thereof, (iii) loans secured by an interest in real property and loans made for the improvement of real property, (iv) loans secured by a deposit or share of a member, and (v) property acquired through the liquidation of defaulted loans described in clause (iii);

"(D) of the assets of which taken into account under subparagraph (C) as assets constituting the 90 percent of total assets—

"(i) at least 80 percent of the amount of such assets consists of assets described in clauses (i) and (ii) of such subparagraph and of loans secured by an interest in real property which is (or, from the proceeds of the loan, will become) residential real property or loans made for the improvement of residential real property; and

"(ii) at least 70 percent of the amount of such assets consists of assets described in clauses (i) and (ii) of such subparagraph and of loans secured by an interest in real property which is (or, from the proceeds of the loan, will become) residential real property containing 4 or fewer family units, or loans made for the improvement of residential real property containing 4 or fewer family units;

"(E) not more than 18 percent of the amount of the total assets of which (as of the close of the taxable year) consists of assets other than those described in clause (i) of subparagraph (D), and not more than 27 percent of the amount of the total assets of which (as of the close of the taxable year) consists of assets other than those described in clause (ii) of subparagraph (D), except

that the 18 percent and 27 percent limitations contained in this subparagraph shall be increased by the number, if any, of percentage points (including any fraction of a percentage point) by which 10 percent exceeds the percentage of the total assets consisting of assets described in clauses (i) and (ii) of subparagraph (C); and

"(F) except for property described in subparagraph (C), none of the assets of which consists of stock of any corporation."

On page 76, after line 18, to strike out:

"(c) REPEAL OF EXEMPTION FROM COMMUNICATIONS AND TRANSPORTATION OF PERSONS TAXES.—Not withstanding any other provision of law, Federal savings and loan associations shall not be exempt as such from the taxes imposed by section 4251 (relating to excise tax on communications) and section 4261 (relating to excise tax on transportation of persons) of the Internal Revenue Code of 1954."

And, in lieu thereof, to insert:

"(e) REPEAL OF EXEMPTION FROM CERTAIN EXCISE TAXES.—

"(1) AMENDMENT TO HOME OWNERS' LOAN ACT.—Section 5(h) of the Home Owners' Loan Act, as amended (12 U.S.C. sec. 1464 (h)), is amended to read as follows:

"'(h) EXEMPTION FROM DISCRIMINATORY STATE AND LOCAL TAXATION.—No State, county, municipal, or local taxing authority shall impose any tax on such associations or their franchise, capital, reserves, surplus, loans, or income greater than that imposed by such authority on other similar local mutual or cooperative thrift and home financing institutions.'

"(2) CERTAIN DOCUMENTARY STAMP TAXES.—Section 4382(a)(2) (relating to exemptions from documentary stamp taxes) is amended to read as follows:

"'(2) DOMESTIC BUILDING AND LOAN ASSOCIATION AND MUTUAL DITCH OR IRRIGATION COMPANIES.—Shares or certificates of stock issued by domestic building and loan associations and cooperative banks, to the extent such shares or certificates represent deposits or withdrawable accounts; or shares or certificates of stock and certificates of indebtedness issued by mutual ditch or irrigation companies.'

"(f) DEDUCTION FOR DIVIDENDS OR INTEREST PAID ON DEPOSITS.—Section 591 (relating to deduction for dividends paid on deposits) is amended—

"(1) by striking out 'and domestic building and loan associations' and inserting in lieu thereof the following: 'domestic building and loan associations, and other savings institutions chartered and supervised as savings and loan or similar associations under Federal or State law'; and

"(2) by inserting after 'dividends' the following: 'or interest'.

On page 78, at the beginning of line 16, to strike out "(f)" and insert "(g)"; on page 79, after line 3, to insert:

"(3) The amendment made by subsection (c) shall apply to taxable years beginning after the date of the enactment of this Act."

After line 6, to strike out:

"(3) Subsection (c) of this section shall apply—

"(A) in the case of the tax imposed by section 4251 of the Internal Revenue Code of 1954, with respect to amounts paid pursuant to bills rendered after June 30, 1962; and

"(B) in the case of the tax imposed by section 4261 of such Code, with respect to transportation beginning after June 30, 1962."

And, in lieu thereof, to insert:

"(4) Subsection (e) of this section shall become effective on January 1, 1963, except that—

"(A) in the case of the tax imposed by section 4251 of the Internal Revenue Code of 1954, such subsection shall apply only with respect to amounts paid pursuant to bills rendered after December 31, 1962; and

"(B) in the case of the tax imposed by section 4261 of such Code, such subsection shall apply only with respect to transportation beginning after December 31, 1962."

On page 80, at the beginning of line 4, to change the section number from "9" to "7"; in line 22, after "(C)", to strike out "Subsection (a)(3) of this section" and insert "Paragraph (3)"; on page 81, line 7, after the word "Foreign", to strike out "estates and"; on page 81, line 12, after the word "means", to strike out "a foreign trust (as defined in section 7701 (a)(31)) to which money or property has been transferred" and insert "that portion of a foreign trust (as defined in section 7701 (a)(31)) attributable to money or property transferred"; on page 90, line 17, after the word "made", to strike out "in taxable years of trusts beginning".

On page 91, at the beginning of line 1, to change the section number from "10" to "8"; in the heading at the beginning of line 3, to insert "Or Flood"; on page 91, in the heading, in line 12, after the word "Fire", to insert "Or Flood"; on page 92, line 7, after the word "a", to strike out "fire" and insert "fire, flood,"; after line 9, to strike out:

"(1) NORMAL TAX.—A normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds $6,000, whichever is the lesser; plus".

And, in lieu thereof, to insert:

"(1) NORMAL TAX.—

"(A) TAXABLE YEARS BEGINNING BEFORE JULY 1, 1963.—In the case of taxable years beginning before July 1, 1963, a normal tax of 30 percent of the mutual insurance company taxable income, or 60 percent of the amount by which such taxable income exceeds $6,000, whichever is the lesser;

"(B) TAXABLE YEARS BEGINNING AFTER JUNE 30, 1963.—In the case of taxable years beginning after June 30, 1963, a normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds $6,000, whichever is the lesser; plus".

On page 94, after line 8, to strike out:

"(A) NORMAL TAX.—A normal tax of 25 percent of the taxable investment income, or 50 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser; plus".

And, in lieu thereof, to insert:

"(A) NORMAL TAX.—

"(i) TAXABLE YEARS BEGINNING BEFORE JULY 1, 1963.—In the case of taxable years beginning before July 1, 1963, a normal tax of 30 percent of the taxable investment income, or 60 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser;

"(ii) TAXABLE YEARS BEGINNING AFTER JUNE 30, 1963.—In the case of taxable years beginning after June 30, 1963, a normal tax of 25 percent of the taxable investment income, or 50 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser; plus".

On page 95, line 7, after the word "over", to strike out "$75,000" and insert "$150,000"; in line 8, after the word "than", to strike out "$125,000" and insert "$250,000"; in line 12, after the word "over", to strike out "$75,000" and insert "$150,000"; at the beginning of line 13, to strike out "$125,000" and insert "$250,000"; in line 16, after the word "over", to strike out "$75,000" and insert "$150,000"; in line 17, after the word "to", to strike out "$50,000" and insert "$100,000"; in line 23, after the word "a", to strike out "fire" and insert "fire, flood"; on page 96, in line 5, after the word "of", to strike out "$75,000" and insert "$150,000"; in line 6, after the word "of", to strike out "$300,000" and insert "$600,000"; on page 97, line 7, after the word "a", to strike out "fire" and insert "fire, flood"; after line 11, to insert:

"(f) SPECIAL TRANSITIONAL UNDERWRITING LOSS.—

"(1) COMPANIES TO WHICH SUBSECTION APPLIES.—This subsection shall apply to every mutual insurance company which has been subject to the tax imposed by this section (as in effect before the enactment of this subsection) for the 6 taxable years immediately preceding January 1, 1963, and has incurred an underwriting loss for at least 5 of such 6 taxable years.

"(2) REDUCTION OF MUTUAL INSURANCE COMPANY TAXABLE INCOME.—For purposes of this part, the mutual insurance company taxable income for the taxable year with respect to a company described in paragraph (1) shall be the mutual insurance company taxable income for the taxable year (determined without regard to this subsection) reduced by the amount by which—

"(A) the sum of the underwriting losses of such company for the 6 taxable years prior to January 1, 1963, reduced by the underwriting gain for such years, exceeds

"(B) the total amount by which the mutual insurance company taxable income was reduced by reason of this subsection for prior taxable years.

"(3) For purposes of this subsection—

"(A) The term 'underwriting loss' means statutory underwriting loss, computed without any deduction under section 824(a).

"(B) The term 'underwriting gain' means statutory underwriting income, computed without any deduction under section 823(c) or any deduction under section 824(a).

"(4) YEARS TO WHICH SUBSECTION APPLIES.—This subsection shall apply with respect to any taxable year beginning after December 31, 1962, and before January 1, 1968, for which the taxpayer is subject to the tax imposed by subsection (a)."

On page 99, at the beginning of line 1, to strike out "(f)" and insert "(g)".

On page 102, in the heading, in line 16, after the word "Than", to strike out "$900,000" and insert "$1,200,000"; in line 23, after the word "exceed", to strike out "$900,000" and insert "$1,200,000"; on page 103, line 2, after the word "exceeds", to strike out "$300,000" and insert "$600,000"; in line 4, after the word "which", to strike out "$900,000" and insert "$1,200,000"; in line 22, after the word "exceeds", to strike out "50" and insert "40"; in line 24, after the word "exceeds", to strike out "50" and insert "40"; on page 104, line 12, after the word "losses", to strike out "arising in any one State" and insert "arising, either in any one State or within 200 miles of any fixed point selected by the taxpayer,"; on page 105, after line 6, to strike out:

"(A) first, an amount equal to the excess of the statutory underwriting loss for the taxable year over the underwriting loss (as defined in paragraph (6)) for the taxable year,".

And, in lieu thereof, to insert:

"(A) first, an amount equal to the excess (if any) of the deduction allowed under subsection (a) for the taxable year over the underwriting gain (within the meaning of subsection (a)(1)) for the taxable year,".

In line 18, after the word "the", to strike out "underwriting loss" and insert "statutory underwriting loss (reduced by the amount referred to in subparagraph (A)"; on page 108, after line 21, to strike out:

"(6) UNDERWRITING LOSS DEFINED.—For purposes of paragraph (1), the term 'underwriting loss' means the amount by which—

"(A) the deductions which would be taken into account in computing taxable income under section 832 if the taxpayer were subject to the tax imposed by section 831, reduced by the sum of (i) the deductions provided in section 822(c), and (ii) the deduction for dividends to policyholders provided by section 832(c)(11), exceeds

"(B) the amount referred to in section 823(a)(1)(A)."

On page 113, after line 8, to strike out:

"(d) SPECIAL RULE.—For purposes of computing the deduction provided in section 824(a) and the additions to the account provided by section 824(c) with respect to any reciprocal electing to be subject to the limitation provided in subsection (b), such limitation shall not be taken into account."

And, in lieu thereof, to insert:

"(d) SPECIAL RULE.—In applying section 824(d)(1)(D), any amount which was added to the protection against loss account by reason of an election under this section shall be treated as having been added by reason of section 824(a)(1)(A)."

On page 114, line 10, after the word "which", to strike out "a reciprocal was allowed a credit" and insert "credit or refund to the reciprocal resulted"; after line 18, to insert:

"(d) EXEMPTION FROM TAX.—Section 501(c)(15) (relating to exemption from tax of certain mutual insurance companies) is amended by striking out '$75,000' and in lieu thereof inserting '$150,000'."

At the beginning of line 23, to strike out "(d)" and insert "(e)"; on page 115, line 11, after the word "fire", to insert "or flood"; on page 117, at the beginning of line 16, to strike out "(e)" and insert "(f)"; on page 118, at the beginning of line 15, to strike out "(f)" and insert "(g)"; on page 119, after line 18, to strike out:

"(4) CLERICAL AMENDMENT.—The table of parts for subchapter L is amended by striking out the portion referring to part II and inserting in lieu thereof the following:

"'Part II. Mutual insurance companies (other than life and certain marine insurance companies and other than fire insurance companies which operate on basis of perpetual policies or premium deposits).'"

And, in lieu thereof, to insert:

"(4) CLERICAL AMENDMENTS.—

"(A) The table of parts for subchapter L is amended by striking out the portion referring to part II and inserting in lieu thereof the following:

"'Part II. Mutual insurance companies (other than life and certain marine insurance companies and other than fire or flood insurance companies which operate on basis of perpetual policies or premium deposits).'

"(B) The heading to section 831 is amended to read as follows:

"'Sec. 831. Tax on insurance companies (other than life or mutual), mutual marine insurance companies, and certain mutual fire or flood insurance companies.'

"(C) The table of sections for part III of subchapter L is amended by striking out the portion referring to section 831 and inserting in lieu thereof the following:

"'Sec. 831. Tax on insurance companies (other than life or mutual), mutual marine insurance companies, and certain mutual fire or flood insurance companies.'"

On page 120, at the beginning of line 15, to strike out "(g)" and insert "(h)"; in line 16, after the word "subsection", to strike out "(e)" and insert "(f)"; on page 121, at the beginning of line 1, to change the section number from "11" to "9".

On page 127, line 7, after the word "From" to insert the word "Certain"; in line 14, at the beginning of the line, to strike out "902" and insert "902(a)(1)"; in line 15, after the word "section", strike out "957(a)" and insert "960(a)(1)(C)"; on page 128, after line 12, to strike out:

"(d) REPEAL OF SECTION 902(d). Subsection (d) (relating to special rules for certain wholly owned foreign corporations) is hereby repealed."

At the beginning of line 16, to strike out "(e)" and insert "(d)";

In the line after line 19, after the word "from" to insert "certain";

On page 129, line 2, after the word "section", strike out "902" and insert "902(a)(1) or 960(a)(1)(C)";

After line 5, to strike out:

"(4) Section 902 is amended by striking out subsection (c) and inserting in lieu thereof the following:

"'(d) CROSS REFERENCES.—

"'(1) For inclusion in gross income of an amount equal to taxes deemed paid under this section, see section 78.

"'(2) For reduction of credit with respect to dividends paid out of accumulated profits for years for which certain information is not furnished, see section 6038.'"

At the beginning of line 9, to change the subsection letter from "(f)" to "(e)".

On page 130, after line 12, to insert a new section, as follows:

"Sec. 10. Separate limitation on foreign tax credit with respect to certain interest income.

"(a) LIMITATION ON FOREIGN TAX CREDIT.—Section 904 (relating to limitations on foreign tax credit) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

"'(f) APPLICATION OF SECTION IN CASE OF CERTAIN INTEREST INCOME.—

"'(1) IN GENERAL.—The provisions of subsections (a), (c), (d), and (e) of this section shall be applied separately with respect to—

"'(A) the interest income described in paragraph (2), and

"'(B) income other than the interest income described in paragraph (2).

"'(2) INTEREST INCOME TO WHICH APPLICABLE.—For purposes of this subsection, the interest income described in this paragraph is interest other than interest—

"'(A) derived from any transaction which is directly related to the active conduct of a trade or business in a foreign country or a possession of the United States,

"'(B) derived in the conduct of a banking, financing, or similar business, or

"'(C) received from a corporation in which the taxpayer owns at least 10 percent of the voting stock.

"'(3) OVERALL LIMITATION NOT TO APPLY.—The limitation provided by subsection (a)(2) shall not apply with respect to the interest income described in paragraph (2). The Secretary or his delegate shall by regulations prescribe the manner of application of subsection (e) with respect to cases in which the limitation provided by subsection (a)(2) applies with respect to income other than the interest income described in paragraph (2).

"'(4) TRANSITIONAL RULES FOR CARRYBACKS AND CARRYOVERS.—

"'(A) CARRYBACKS TO YEARS PRIOR TO REVENUE ACT OF 1962.—Where, under the provisions of subsection (d), taxes (i) paid or accrued to any foreign country or possession of the United States in any taxable year beginning after the date of the enactment of the Revenue Act of 1962 are deemed (ii) paid or accrued in one or more taxable years beginning on or before the date of enactment of the Revenue Act of 1962, the amount of such taxes deemed paid or accrued shall be determined without regard to the provisions of this subsection. To the extent the taxes paid or accrued to a foreign country or possession of the United States in any taxable year described in clause (i) are not, with the application of the preceding sentence, deemed paid or accrued in any taxable year described in clause (ii), such taxes shall, for purposes of applying subsection (d), be deemed paid or accrued in a taxable year beginning after the date of the enactment of the Revenue Act of 1962, with respect to interest income described in paragraph (2), and with respect to income other than interest income described in paragraph (2), in the same ratios as the amount of such taxes paid or accrued with respect to interest income described in paragraph (2), and the amount of such taxes paid or accrued with respect to income other than interest income described in paragraph (2), respectively, bear to the total amount of such taxes paid or accrued to such foreign country or possession of the United States.

"'(B) CARRYOVERS TO YEARS AFTER REVENUE ACT OF 1962.—Where, under the provisions of subsection (d), taxes (i) paid or accrued to any foreign country or possession of the United States in any taxable year beginning on or before the date of the enactment of the Revenue Act of 1962 are deemed (ii) paid or accrued in one or more taxable years beginning after the date of the enactment of the Revenue Act of 1962, the amount of such taxes deemed paid or accrued in any year described in clause (ii) shall, with respect to interest income described in paragraph (2), be an amount which bears the same ratio to the amount of such taxes deemed paid or accrued as the amount of the taxes paid or accrued to such foreign country or possession for such year with respect to interest income described in paragraph (2) bears to the total amount of the taxes paid or accrued to such foreign country or possession for such year; and the amount of such taxes deemed paid or accrued in any year described in clause (ii) with respect to income other than interest income described in paragraph (2) shall be an amount which bears the same ratio to the amount of such taxes deemed paid or accrued for such year as the amount of taxes paid or accrued to such foreign country or possession for such year with respect to income other than interest income described in paragraph (2) bears to the total amount of the taxes paid or accrued to such foreign country or possession for such year.'

"(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to taxable years beginning after the date of the enactment of this Act, but only with respect to interest resulting from transactions consummated after April 2, 1962."

On page 134, at the beginning of line 16, to change the section number from "12" to "11"; on page 138, after line 18, to insert:

"(6) TEST OF BONA FIDE RESIDENCE.—A statement by an individual who has earned income from sources within a foreign country to the authorities of that country that he is not a resident of that country, if he is held not subject as a resident of that country to the income tax of that country by its authorities with respect to such earnings, shall be conclusive evidence with respect to such earnings that he is not a bona fide resident of that country for purposes of subsection (a)(1).

"(7) CERTAIN NONCASE REMUNERATION.—If an individual who qualifies under subsection (a)(1) receives compensation from sources without the United States (except from the United States or any agency thereof) in the form of the right to use property or facilities, the limitation under paragraph (1) applicable with respect to such individual—

"(A) for a taxable year ending in 1963, shall be increased by an amount equal to the amount of such compensation so received during such taxable year;

"(B) for a taxable year ending in 1964, shall be increased by an amount equal to two-thirds of such compensation so received during such taxable year; and

"(C) for a taxable year ending in 1965, shall be increased by an amount equal to one-third of such compensation so received during such taxable year."

On page 141, after line 3, to strike out:

"Sec. 13. Controlled foreign corporations.

"(a) IN GENERAL.—Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subpart:

"'Subpart F—Controlled Foreign Corporations.

"'Sec. 951. Amounts included in gross income of United States persons.

"'Sec. 952. Subpart F income defined.

"'Sec. 953. Investment of earnings in nonqualified property.

"'Sec. 954. Controlled foreign corporations.

"'Sec. 955. Rules for determining stock ownership.

"'Sec. 956. Exclusion from gross income of previously taxed earnings and profits.

"'Sec. 957. Special rules for foreign tax credit.

"'Sec. 958. Adjustments to basis of stock in controlled foreign corporations and of other property.

"'Sec. 951. Amounts included in gross income of United States persons.

"'(a) AMOUNTS INCLUDED.—

"'(1) IN GENERAL.—If a foreign corporation is a controlled corporation on any day of a taxable year beginning after December 31, 1962, every United States person (as defined in section 7701(a)(30)) who owns (within the meaning of section 955(a)) stock in such corporation on the last day, in such year, on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such taxable year of the corporation ends—

"'(A) his pro rata share (determined under paragraph (2)) of the corporation's subpart F income for such year, and

"'(B) his pro rata share (determined under section 953(a)(2)) of the corporation's increase in earnings invested in nonqualified property for such year (but only to the extent not excluded from gross income under section 956(a)(2)).

"'(2) PRO RATA SHARE OF SUBPART F INCOME.—The pro rata share referred to in paragraph (1)(A) in the case of any United States persons is the amount—

"'(A) which would have been distributed with respect to the stock which such person owns (within the meaning of section 955(a)) in such corporation if on the last day, in its taxable year, on which the corporation is a controlled foreign corporation it had distributed pro rata to its shareholders an amount (i) which bears the same ratio to its subpart F income for the taxable year, as (ii) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year, reduced by

"'(B) the amount of any distribution received by any other United States person during such year as a dividend with respect to such stock.

"'(3) LIMITATION ON AMOUNT OF PRO RATA SHARE OF INVESTMENT IN NONQUALIFIED PROPERTY INCLUDED IN GROSS INCOME.—For purposes of paragraph (1)(B), the pro rata share of any United States person in the increase of the earnings of a controlled foreign corporation invested in nonqualified property shall not exceed an amount (A) which bears the same ratio to his pro rata share of such increase (as determined under section 953(a)(2)) for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

"'(b) LESS THAN 10 PERCENT OWNERSHIP.—No person shall be required to include any amount in gross income under subsection (a) unless he can be considered, by applying the rules of ownership of section 955(b), as owning, directly or indirectly, on any day during the taxable year of the corporation on which it was a controlled foreign corporation, 10 percent or more of the total combined voting power of all classes of stock, or of the total value of shares of all classes of stock, of such corporation.

"'(c) COORDINATION WITH ELECTION OF A FOREIGN INVESTMENT COMPANY TO DISTRIBUTE INCOME.—A United States person who, for his taxable year, is a qualified shareholder (within the meaning of section 1247(c)) of a foreign investment company with respect to which an election under section 1247 is in effect shall not be required to include in gross income, for such taxable year, subpart F income of such company.

"'Sec. 952. Subpart F income defined.

"'(a) IN GENERAL.—

"'(1) ITEMS TAKEN INTO ACCOUNT.—For purposes of this subpart, the term "subpart F income" means, in the case of any controlled foreign corporation, the sum of—

"'(A) income derived from insurance of United States risks (as determined under subsection (b)),

"'(B) income from United States patents, copyrights, and exclusive formulas and processes (as determined under subsection (c)), and

"'(C) the net foreign base company income (as determined under subsection (d)), except that this subparagraph shall apply only in the case of a controlled foreign corporation in which 5 or fewer United States persons own, by applying the rules of ownership of section 955(b), more than 50 percent of the total combined voting power of all classes of stock entitled to vote.

"'(2) EXCLUSION OF UNITED STATES INCOME.—Subpart F income does not include any item includible in gross income under this chapter (other than this subpart) as income derived from sources within the United States of a foreign corporation engaged in trade or business in the United States.

"'(3) NOT TO EXCEED EARNINGS AND PROFITS.—The subpart F income of any controlled foreign corporation for any taxable year shall not exceed the earnings and profits of such corporation for such year.

"'(b) INCOME FROM INSURANCE OF UNITED STATES RISKS.—

"'(1) GENERAL RULE.—If a controlled foreign corporation receives premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract—

"'(A) in connection with property in, or residents of, the United States, or

"'(B) in connection with property not in, or nonresidents of, the United States as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect of any reinsurance or the issuing of any insurance or annuity contract in connection with property in, or residents of, the United States,

then for purposes of subsection (a)(1)(A), the term "income derived from the insurance of United States risks" means that income which (subject to the modifications provided by subparagraphs (A), (B), and (C) of paragraph (2)) would be taxed under subchapter L of this chapter if such corporation were a domestic corporation.

"'(2) SPECIAL RULES.—For purposes of paragraph (1)—

"'(A) In the application of part I of subchapter L, life insurance company taxable income is the gain from operations as defined in section 809(b).

"'(B) A corporation which would, if it were a domestic corporation, be taxable under part II of subchapter L shall apply paragraph (1) as if it were taxable under part III of subchapter L.

"'(C) The following provisions of subchapter L shall not apply:

"'(i) Section 809(d)(4) (operations loss deduction).

"'(ii) Section 809(d)(5) (certain nonparticipating contracts).

"'(iii) Section 809(d)(6) (group life, accident, and health insurance).

"'(iv) Section 809(d)(10) (small business deduction).

"'(v) Section 817(b) (gain on property held on December 31, 1958, and certain substituted property acquired after 1958).

"'(vi) Section 832(b)(5) (certain capital losses).

"'(D) "Gross amounts" to the extend provided in section 809(c)(1) and (2), less "increase in certain reserves" as defined in section 809(d)(2), and "premiums earned" as defined in section 832(b)(4) shall be taken into account only to the extent they are in respect to any reinsurance or the issuing of any reinsurance or the issuing of any insurance or annuity contract described in paragraph (1).

"'(E) All items of income (other than those taken into account under subparagraph (D)) and all items of expenses, losses, and deductions shall be properly allocated or apportioned under regulations prescribed by the Secretary or his delegate.

"'(c) INCOME FROM UNITED STATES PATENTS, COPYRIGHTS, AND EXCLUSIVE FORMULAS AND PROCESSES.—

"'(1) GENERAL RULE.—For purposes of subsection (a)(1)(B), the term "income from United States patents, copyrights, and exclusive formulas and processes", means the amount of gross rentals, royalties, or other income derived from the license, sublicense, sale, exchange, use, or other means of exploitation of patents, copyrights, and exclusive formulas and processes—

"'(A) substantially developed, created, or produced in the United States, or

"'(B) acquired from any United States person which, directly or indirectly, owns or controls, or is owned or controlled by, or is under common ownership or control with, the controlled foreign corporation,

less the cost and expense allowance defined in paragraph (2).

"'(2) COST AND EXPENSE ALLOWANCE.—An allowance shall be made, in accordance with regulations prescribed by the Secretary or his delegate, for ordinary and necessary expenses incurred by the controlled foreign corporation in the receipt or production of the income described in paragraph (1), including taxes and any amortization or depreciation of the cost to such corporation of such property or rights described in paragraph (1), but not including any production, manufacturing, or similar expenses incurred in the use or other means of exploitation of such property or rights.

"'(3) DETERMINATION OF INCOME FROM USE.—The income from use or other means of exploitation by the controlled foreign corporation of the property or right described in paragraph (1) shall be the amount which would be obtained as a gross rent, royalty, or other payment in an arm's length transaction with an unrelated person for similar use or exploitation, of the property or right.

"'(d) NET FOREIGN BASE COMPANY INCOME.—For purposes of subsection (a)(1)(C), the term "net foreign base company income" means—

"'(1) the foreign base company income for the taxable year, determined under subsection (c), reduced by

"'(2) the increase in investment in qualified property in less developed countries for the taxable year, determined under subsection (f).

"'(e) FOREIGN BASE COMPANY INCOME.—

"'(1) IN GENERAL.—For purposes of subsection (d)(1), the term "foreign base company income" means the foreign personal

holding company income (as defined in section 553) for the taxable year, modified and adjusted as provided in this subsection.

"'(2) CERTAIN SALES INCOME INCLUDED.—The term "foreign base company income" includes foreign base company sales income if, for the taxable year, such income is equal to at least 20 percent of the gross income of the foreign corporation (not including for this purpose other foreign base company income under this subsection). For purposes of this paragraph, the term "foreign base company sales income" means income (whether in the form of profits, commissions, fees, or otherwise) derived in connection with the purchase of personal property from a related person and its sale to any person, or the purchase of personal property from any persons and its sale to a related person, where—

"'(A) the property which is purchased is manufactured, produced, grown, or extracted outside the country under the laws of which the controlled foreign corporation is created or organized, and

"'(B) the property is sold for use, consumption, or disposition outside such foreign country.

For purposes of the preceding sentence, a person is a related person with respect to the controlled foreign corporation if he, directly or indirectly, owns or controls, or is owned or controlled by, or is under common ownership or control with, the controlled foreign corporation.

"'(3) RENTS INCLUDED WITHOUT REGARD TO 50-PERCENT LIMITATION.—All rents shall be included in foreign base company income without regard to whether or not such rents constitute more than 50 percent of gross income.

"'(4) INSURANCE AND PATENT INCOME EXCLUDED.—The term "foreign base company income" does not include any income derived from insurance of United States risks (as determined under subsection (b)) or income from United States patents, copyrights, and exclusive formulas and processes (as determined under subsection (c)).

"'(5) INCOME OF CERTAIN BANKS AND BANK-CONTROLLED CORPORATIONS EXCLUDED.—The term "foreign base company income" does not include—

"'(A) the income of any corporation described in section 552(b) (relating to exception for banks and exempt corporations), or

"'(B) the income of any foreign corporation if 50 percent or more of the fair market value of its outstanding stock is owned directly or indirectly by a domestic corporation which is either organized under section 25(a) of the Federal Reserve Act (12 U.S.C., secs. 611–631), or has an agreement or understanding with the Board of Governors of the Federal Reserve System under section 25 of the Federal Reserve Act (12 U.S.C., secs. 601–604), if all of the stock (except qualifying shares) of the domestic corporation is owned by a national or State bank which is a member of the Federal Reserve System.

"'(6) SPECIAL RULE WHERE FOREIGN BASE COMPANY INCOME IS LESS THAN 20 PERCENT OR MORE THAN 80 PERCENT OF GROSS INCOME.—For purposes of this subsection—

"'(A) If the foreign base company income (determined without regard to paragraph (7)) is less than 20 percent of gross income, no part of the gross income of the taxable year shall be treated as foreign base company income.

"'(B) If the foreign base company income (determined without regard to paragraph (7)) exceeds 80 percent of gross income, the entire gross income of the taxable year shall be taken into account in determining foreign base company income.

"'(7) DEDUCTIONS TO BE TAKEN INTO ACCOUNT.—The foreign base company income for the taxable year shall be reduced so as to take into account deductions (including taxes) properly allocable to such income.

"'(f) INVESTMENT IN QUALIFIED PROPERTY IN LESS DEVELOPED COUNTRIES.—

"'(1) GENERAL RULE.—For purposes of subsection (d)(2), the increase in investment in qualified property in less developed countries for any taxable year is the amount by which—

"'(A) the aggregate amount of property described in sections 953(b)(2)(C) and (D) and property (including money) which is located outside the United States and is ordinary and necessary for the active conduct of a qualified trade or business described in section 953(b)(3)(A)(ii) held at the close of the taxable year, exceeds

"'(B) the aggregate amount of property described in subparagraph (A) held at the close of the preceding taxable year.

"'(2) INVESTMENTS AFTER CLOSE OF YEAR.—Under regulations prescribed by the Secretary or his delegate, a controlled foreign corporation may elect to make the determinations under subparagraphs (A) and (B) of paragraph (1) as of the close of the 75th day after the close of each taxable year.

"'(3) AMOUNT ATTRIBUTABLE TO PROPERTY.—The amount taken into account under paragraph (1) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

"'Sec. 953. Investment of earnings in nonqualified property.

"'(a) GENERAL RULES.—For purposes of this subpart—

"'(1) AMOUNT OF INVESTMENT. — The amount of earnings of a controlled foreign corporation invested in nonqualified property at the close of any taxable year is the aggregate amount of such property held at the close of the taxable year, to the extent such amount does not exceed the sum of (A) the earnings and profits for the taxable year, and (B) the earnings and profits accumulated for prior taxable years beginning after December 31, 1962.

"'(2) PRO RATA SHARE OF INCREASE FOR YEAR.—In the case of any United States person, the pro rata share of the increase for any taxable year in the earnings of a controlled foreign corporation invested in a nonqualified property is the amount determined by subtracting—

"'(A) his pro rata share of the amount determined under paragraph (1) for the close of the preceding taxable year, reduced by amounts paid during the taxable year to which section 956(c)(1) applies, from

"'(B) his pro rata share of the amount determined under paragraph (1) for the close of the taxable year.

"'(3) AMOUNT ATTRIBUTABLE TO PROPERTY.—The amount taken into account under paragraph (1) or (2) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

"'(b) NONQUALIFIED PROPERTY DEFINED.—For purposes of this subpart—

"'(1) GENERAL RULE.—The term "nonqualified property" means any money or other property (tangible or intangible) acquired after December 31, 1962, which is not qualified property.

"'(2) QUALIFIED PROPERTY. — The term "qualified property" means—

"'(A) Any money or other property which is located in the United States, but only if ordinary and necessary for the active conduct of a qualified trade or business (as determined under paragraph (3)) carried on by the controlled foreign corporation.

"'(B) Property which would qualify under subparagraph (A) except for the fact that it is located in the United States, but only of such property is—

"'(i) obligations of the United States, money, or deposits with persons carrying on the banking business;

"'(ii) property purchased in the United States for export to, or for use in, foreign countries; or

"'(iii) any loan arising in connection with the sale of property if the amount of such loan outstanding at no time during the taxable year exceeds the amount which would be ordinary and necessary to carry on the trade or business of both the lending corporation and the borrowing United States person had the sale been made between unrelated persons.

"'(C) Stock owned by the controlled foreign corporation in another controlled foreign corporation in which it owns at least 10 percent of the voting stock and 10 percent of the value of all classes of stock and in which it together with four or fewer United States persons, owns, directly or indirectly, more than 50 percent of the voting stock (unless under the laws of a less developed country such percentage of ownership is not permitted, in which case such lesser percentage as is permitted); but this subparagraph shall apply only if—

"'(i) substantially all of the property of such other controlled foreign corporation is ordinary and necessary for the active conduct of a trade or business engaged in by it almost wholly within a less developed country or countries, and

"'(ii) such other controlled foreign corporation is created or organized under the laws of one of such countries in which it is so engaged.

"'(D) Any investment which is required because of restrictions imposed by a less developed country, and any investment which, when made, was so required and which would result in substantial losses if withdrawn.

"'(3) QUALIFIED TRADE OR BUSINESS.—

"'(A) A trade or business is a qualified trade or business if such trade or business (or substantially the same trade or business)—

"'(i) is carried on by the controlled foreign corporation outside the United States and has been so carried on by such corporation, while controlled by substantially the same United States persons since December 31, 1962, or during the 5-year period ending with the close of the preceding taxable year, or

"'(ii) is carried on by the controlled foreign corporation almost wholly within a less developed country or countries.

"'(B) A trade or business which is a qualified trade or business for a corporation in which the controlled foreign corporation owns at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total value of all classes of stock shall be treated as a qualified trade or business for the controlled foreign corporation if such percentage of stock was owned continuously since December 31, 1962, or during the 5-year period ending with the close of the preceding taxable year.

"'(4) SITUS OF CERTAIN PROPERTY.—Property which is an obligation of, or pledges and guarantees made with respect to obligations of, United States persons shall be considered as property located in the United States.

"'(5) LESS DEVELOPED COUNTRY DEFINED.—The term "less developed country" means (in respect of any foreign corporation) any foreign country (other than an area within the Sino Soviet bloc) or any possession of the United States, with respect to which on the first day of the taxable year, there is in effect an Executive order by the President of the United States designating such country or possession as an economically less developed country for purposes of this subpart. For purposes of the preceding sentence, an oversea territory, department, province, or possession may be treated as a separate country. No designation shall be

made under this paragraph with respect to Australia, Austria, Belgium, Canada, Denmark, France, Germany (Federal Republic), Hong Kong, Italy, Japan, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Union of South Africa, San Marino, Sweden, Switzerland, United Kingdom.

"'SEC. 954. Controlled foreign corporations.

"'(a) GENERAL RULE.—For purposes of this subpart, the term "controlled foreign corporation" means any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned, directly or indirectly (within the meaning of section 955 (b)), by United States persons on any day during the taxable year of such foreign corporation.

"'(b) SPECIAL RULE FOR INSURANCE.—For purposes only of taking into account income described in section 952(a)(1)(A) (relating to income derived from insurance of United States risks), the term "controlled foreign corporation" includes not only a foreign corporation as defined by subsection (a) but also one of which more than 25 percent of the total combined voting power of all classes of stock is owned, directly or indirectly (within the meaning of section 955(b)), by United States persons on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration in respect of reinsurance or the issuing of insurance or annuity contracts in connection with property in, or residents of, the United States, exceeds 75 percent of the gross amount of all premiums or other consideration in respect of all risks.

"'(c) SPECIAL RULE FOR CERTAIN LESS DEVELOPED COUNTRIES.—In the case of any foreign corporation to which section 953(b)(2)(C) applies, the maximum percentage of ownership permitted under the laws of a less developed country shall be considered, in lieu of the more than 50 percent requirement in subsection (a), the percentage required under subsection (a) in order for the corporation to be classified as a controlled foreign corporation.

"'Sec. 955. Rules for determining stock ownership

"'(a) FOR PURPOSES OF SECTION 951(a).

"'(1) GENERAL RULE. For purposes of section 951(a), stock owned means—

"'(A) stock owned directly, and

"'(B) stock owned with the application of paragraph (2).

"'(2) STOCK OWNERSHIP THROUGH FOREIGN ENTITIES.—For purposes of subparagraph (B) of paragraph (1), stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or foreign trust or foreign estate (within the meaning of section 7701(a)(31)) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

"'(3) SPECIAL RULE FOR MUTUAL INSURANCE COMPANIES.—For purposes of applying paragraph (1) in the case of a foreign mutual insurance company, the term "stock" shall include any certificate entitling the holder to voting power in the corporation.

"'(b) OTHER PROVISIONS. For purposes of sections 951(b), 952(a)(1)(C), and 954, section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to subject a United States person to the requirement of section 951(a), to treat 5 or fewer United States persons as owning more than 50 percent of all classes of stock entitled to vote of a controlled foreign corporation, or to make a foreign corporation a controlled foreign corporation under section 954, except—

"'(1) In applying paragraph (1)(A) of section 318(a), stock owned by a nonresident alien individual (other than a foreign trust or foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.

"'(2) In applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2)—

"'(A) if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote, and

"'(B) if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total value of shares of all classes of stock of a corporation, it shall be considered as owning the total value of all of the outstanding stock of such corporation. The application of this subparagraph shall not have the effect of increasing voting power of a partner, beneficiary, or shareholder, for purposes of subparagraph (A).

"'(3) Stock owned by a partnership, estate, trust, or corporation, by reason of the application of the second sentence of subparagraphs (A) and (B), and the application of clause (ii) of subparagraph (C), of section 318(a)(2), shall not be considered as owned by such partnership, estate, trust, or corporation, for the purposes of applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2).

"'(4) In applying clause (i) of subparagraph (C) of section 318(a)(2), the 50-percent limitation contained in subparagraph (C) shall not apply.

"'Sec. 956. Exclusion from gross income of previously taxed earnings and profits.

"'(a) EXCLUSION FROM GROSS INCOME OF UNITED STATES PERSONS.—For purposes of this chapter, the earnings and profits for a taxable year of a foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States person under section 951(a) shall not, when—

"'(1) such amounts are distributed to, or

"'(2) such amounts would, but for this subsection, be included under section 951(a)(1)(B) in the gross income of,

such person (or any other United States person who acquires from any person any portion of the interest of such United States person in such foreign corporation, but only to the extent of such portion, and subject to such proof of the identity of such interest as the Secretary or his delegate may by regulations prescribe) directly, or indirectly through a chain of ownership described under section 955(a), be again included in the gross income of such United States person (or of such other United States person).

"'(b) EXCLUSION FROM GROSS INCOME OF CERTAIN FOREIGN SUBSIDIARIES.—For purposes of section 951(a), the earnings and profits for a taxable year of a controlled foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States person under section 951(a), shall not, when distributed through a chain of ownership described under section 955(a), be also included in the gross income of another controlled foreign corporation in such chain for purposes of the application of section 951(a) to such other controlled foreign corporation with respect to such United States person (or to any other United States person who acquires from any person any portion of the interest of such United States person in the controlled foreign corporation, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary or his delegate may prescribe by regulations).

"'(c) ALLOCATIONS OF DISTRIBUTIONS.—For purposes of subsections (a) and (b), section 316(a) shall be applied by applying paragraph (2) thereof, and then paragraph (1) thereof—

"'(1) first to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(B) (or which would have been included except for section 956(a)(2)),

"'(2) then to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(A) (but reduced by amounts not included under section 951(a)(1)(B) because of the exclusion in section 956(a)(2)), and

"'(3) then to other earnings and profits.

"'(d) DISTRIBUTIONS EXCLUDED FROM GROSS INCOME NOT TO BE TREATED AS DIVIDENDS.—Except as provided in section 957(a)(3), any distribution excluded from gross income under subsection (a) shall be treated, for purposes of this chapter, as a distribution which is not a dividend.

"'Sec. 957. Special rules for foreign tax credit.

"'(a) TAXES PAID BY A FOREIGN CORPORATION.—

"'(1) GENERAL RULE.—For purposes of subpart A of this part, if there is included, under section 951(a), in the gross income of a domestic corporation any amount attributable to earnings and profits—

"'(A) of a foreign corporation at least 10 percent of the voting stock of which is directly owned by such domestic corporation, or

"'(B) of a foreign corporation at least 50 percent of the voting stock of which is directly owned by a foreign corporation at least 10 percent of the voting stock of which is in turn directly owned by such domestic corporation,

then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid, if, paragraph (4) applies) to a foreign country or possession of the United States for the taxable year which the amount of earnings and profits of such foreign corporation so included in gross income of the domestic corporation bears to the entire amount of the total earnings and profits of such foreign corporation for such taxable year.

"'(2) TAXES PREVIOUSLY DEEMED PAID BY DOMESTIC CORPORATIONS.—If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 956, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902, to the extent such taxes were deemed paid by such domestic corporation under paragraph (1) for any prior taxable year.

"'(3) TAXES PAID BY FOREIGN CORPORATION AND NOT PREVIOUSLY DEEMED PAID BY DOMESTIC CORPORATION.—Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 956(a) shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under paragraph (1) for any prior taxable year.

"'(4) TAXES PAID BY A FOREIGN SUBSIDIARY.—If subparagraph (A) of paragraph (1) ap-

plies with respect to an amount included in gross income under section 951(a) for a taxable year, then such amount shall be considered a dividend for purpose of the application of section 902(b).

"'(5) INCLUSION IN GROSS INCOME.—

"For inclusion in gross income of amount equal to taxes deemed paid under paragraph (1), see section 78.

"'(b) SPECIAL RULES FOR FOREIGN TAX CREDIT IN YEAR OF RECEIPT OF PREVIOUSLY TAXED EARNINGS AND PROFITS.—

"'(1) INCREASE IN SECTION 904 LIMITATION.—In the case of any taxpayer who—

"'(A) either (i) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, or (ii) did not pay or accrue for such taxable year any income, war profits or excess profits taxes to any foreign country or to any possession of the United States, and

"'(B) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A), and

"'(C) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in paragraph (2), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

"'(2) AMOUNT OF INCREASE.—The amount of increase of the applicable limitation under section 904(a) for the taxable year in which the distribution or amount referred to in paragraph (1)(B) is received shall be an amount equal to—

"'(A) the amount by which the applicable limitation under section 904(a) for the taxable year referred to in paragraph (1)(A) was increased by reason of the inclusion in gross income under section 951(a) of the amount in respect of the controlled foreign corporation, reduced by

"'(B) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in paragraph (1)(A) and which would not have been allowable but for the inclusion in gross income of the amount described in subparagraph (A).

"'(3) CASES IN WHICH TAXES NOT TO BE ALLOWED AS DEDUCTIONS.—In the case of any taxpayer who—

"'(A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, and

"'(B) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 956(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A),

no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

"'(4) INSUFFICIENT TAXABLE INCOME.—If an increase in the limitation under this subsection exceeds the tax imposed by this chapter for such year, the amount of such excess shall be deemed an overpayment of tax for such year.

"'Sec. 958. Adjustments to basis of stock in controlled foreign corporation and of other property.

"'(a) INCREASE IN BASIS.—Under regulations prescribed by the Secretary or his delegate, the basis of a United States person's stock in a controlled foreign corporation, and the basis of property of a United States person by reason of which he is considered under section 955(a)(2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 951(a) with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount was included in the gross income of such person.

"'(b) REDUCTION IN BASIS.—

"'(1) IN GENERAL.—Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States person receives an amount which is excluded from gross income under section 956(a) shall be reduced by the amount so excluded.

"'(2) AMOUNT IN EXCESS OF BASIS.—To the extent that an amount excluded from gross income under section 956(a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.'

"(b) TECHNICAL AND CLERICAL AMENDMENTS.—

"(1) Section 551(b) (relating to foreign personal holding company income included in gross income of United States shareholders) is amended by adding at the end thereof the following new sentence: 'The amount included in the gross income of any United States shareholder for any taxable year under the preceding sentence shall be reduced by such shareholder's proportionate share of the undistributed personal holding company income which is included in his gross income under section 951(a)(1)(A) (relating to amounts included in gross income of United States persons) for such taxable year as his pro rata share of the subpart F income of the company.'

"(2) Section 901 (relating to foreign tax credit) is amended by striking out 'section 902' and inserting in lieu thereof 'sections 902 and 957'.

"(3) Section 902(e) is amended to read as follows:

"'(e) CROSS REFERENCES.—

"'(1) For application of subsections (a) and (b) with respect to taxes deemed paid in a prior taxable year by a United States person with respect to a controlled foreign corporation, see section 957.

"'(2) For reduction of credit with respect to dividends paid out of accumulated profits for years for which certain information is not furnished, see section 6038.'

"(4) Section 904(f) is amended to read as follows:

"'(f) CROSS REFERENCES.—

"'(1) For increase of applicable limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States person with respect to a controlled foreign corporation, see section 957(b).

"'(2) For special rule relating to the application of the credit provided by section 901 in the case of affiliated groups which include Western Hemisphere trade corporations for years in which the limitation provided by subsection (a)(2) applies, see section 1503(d).'

"(5) The table of subparts for part III of subchapter N of chapter 1 is amended by adding at the end thereof the following:

"'Subpart F. Controlled foreign corporations.'

"(6) Section 1016(a) (relating to adjustments to basis) is amended—

"(A) by striking out the period at the end of paragraph (18) and inserting in lieu thereof a semicolon; and

"(B) by adding after paragraph (18) the following new paragraph:

"'(19) to the extent provided in section 958 in the case of stock in controlled foreign corporations (or foreign corporations which were controlled foreign corporations) and of property by reason of which a person is considered as owning such stock."

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of foreign corporations beginning after December 31, 1962, and to taxable years of United States persons within which or with which such taxable years of such foreign corporations end."

And, in lieu thereof, to insert:

"Sec. 12. Controlled foreign corporations.

"(a) IN GENERAL.—Part III of subchapter N of chapter 1 (relating to income from sources without the United States) is amended by adding at the end thereof the following new subparts:

"Subpart F—Controlled Foreign Corporations.

"'Sec. 951. Amounts included in gross income of United States shareholders.

"'Sec. 952. Subpart F income defined.

"'Sec. 953. Income from insurance of United States risks.

"'Sec. 954. Foreign base company income.

"'Sec. 955. Withdrawal of previously excluded subpart F income from qualified investment.

"'Sec. 956. Investment of earnings in United States property.

"'Sec. 957. Controlled foreign corporations; United States persons.

"'Sec. 958. Rules for determining stock ownership.

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"'Sec. 963. Receipt of minimum distributions by domestic corporations.

"'Sec. 964. Miscellaneous provisions.

"'Sec. 951. Amounts included in gross income of United States shareholders.

"'(a) AMOUNTS INCLUDED.—

"'(1) IN GENERAL.—If a foreign corporation is a controlled foreign corporation for an uninterrupted period of 30 days or more during any taxable year beginning after December 31, 1962, every person who is a United States shareholder (as defined in subsection (b)) of such corporation and who owns (within the meaning of section 958(a)) stock in such corporation on the last day, in such year, on which such corporation is a controlled foreign corporation shall include in his gross income, for his taxable year in which or with which such taxable year of the corporation ends—

"'(A) the sum of—

"'(i) except as provided in section 963, his pro rata share (determined under paragraph

(2)) of the corporation's subpart F income for such year, and

"'(ii) his pro rata share (determined under section 955(a)(3)) of the corporation's previously excluded subpart F income withdrawn from investment in less developed countries for such year; and

"'(B) his pro rata share (determined under section 956(a)(2)) of the corporation's increase in earnings invested in United States property for such year (but only to the extent not excluded from gross income under section 959(a)(2)).

"'(2) PRO RATA SHARE OF SUBPART F INCOME.—The pro rata share referred to in paragraph (1)(A)(i) in the case of any United States shareholder is the amount—

"'(A) which would have been distributed with respect to the stock which such shareholder owns (within the meaning of section 958(a)) in such corporation if on the last day, in its taxable year, on which the corporation is a controlled foreign corporation it had distributed pro rata to its shareholders an amount (i) which bears the same ratio to its subpart F income for the taxable year, as (ii) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year, reduced by

"'(B) the amount of distributions received by any other person during such year as a dividend with respect to such stock, but only to the extent of the dividend which would have been received if the distribution by the corporation had been the amount (i) which bears the same ratio to the subpart F income of such corporation for the taxable year, as (ii) the part of such year during which such shareholder did not own (within the meaning of section 958(a)) such stock bears to the entire year.

"'(3) LIMITATION ON PRO RATA SHARE OF PREVIOUSLY EXCLUDED SUBPART F INCOME WITHDRAWN FROM INVESTMENT.—For purposes of paragraph (1)(A)(ii), the pro rata share of any United States shareholder of the previously excluded subpart F income of a controlled foreign corporation withdrawn from investment in less developed countries shall not exceed an amount (A) which bears the same ratio to his pro rata share of such income withdrawn (as determined under section 955(a)(3)) for the taxable year, as (B) the part of such year during which the corporation is a controlled foreign corporation bears to the entire year.

"'(4) LIMITATION ON PRO RATA SHARE OF INVESTMENT IN UNITED STATES PROPERTY.—For purposes of paragraph (1)(B), the pro rata share of any United States shareholder in the increase of the earnings of a controlled foreign corporation invested in United States property shall not exceed an amount (A) which bears the same ratio to his pro rata share of such increase the corporation is a controlled foreign corporation bears to the entire year.

"'(b) UNITED STATES SHAREHOLDER DEFINED.—For purposes of this subpart, the term "United States shareholder" means, with respect to any foreign corporation, a United States person (as defined in section 957(d)) who owns (within the meaning of section 958(a)), or is considered as owning by applying the rules of ownership of section 958(b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation.

"'(c) COORDINATION WITH ELECTION OF A FOREIGN INVESTMENT COMPANY TO DISTRIBUTE INCOME.—A United States shareholder who, for his taxable year, is a qualified shareholder (within the meaning of section 1247 (c)) of a foreign investment company with respect to which an election under section 1247 is in effect shall not be required to include in gross income, for such taxable year, any amount under subsection (a) with respect to such company.

"'(d) COORDINATION WITH FOREIGN PERSONAL HOLDING COMPANY PROVISIONS.—A United States shareholder who, for his taxable year, is subject to tax under section 551(b) (relating to foreign personal holding company income included in gross income of United States shareholders) on income of a controlled foreign corporation shall not be required to include in gross income, for such taxable year, any amount under subsection (a) with respect to such company.

"'Sec. 952. Subpart F income defined.

"'(a) IN GENERAL.—For purposes of this subpart, the term "subpart F income" means, in the case of any controlled foreign corporation, the sum of—

"'(1) the income derived from the insurance of United States risks (as determined under section 953), and

"'(2) the foreign base company income (as determined under section 954).

"'(b) EXCLUSION OF UNITED STATES INCOME.—Subpart F income does not include any item includible in gross income under this chapter (other than this subpart) as income derived from sources within the United States of a foreign corporation engaged in trade or business in the United States.

"'(c) LIMITATION.—For purposes of subsection (a), the subpart F income of any controlled foreign corporation for any taxable year shall not exceed the earnings and profits of such corporation for such year reduced by the amount (if any) by which—

"'(1) an amount equal to—

"'(a) the sum of the deficits in earnings and profits for prior taxable years beginning after December 31, 1962, plus

"'(B) the sum of the deficits in earnings and profits for taxable years beginning after December 31, 1959, and before January 1, 1963 (reduced by the sum of the earnings and profits for such taxable years); exceeds

"'(2) an amount equal to the sum of the earnings and profits for prior taxable years beginning after December 31, 1962, allocated to other earnings and profits under section 959(c)(3).

For purposes of the preceding sentence, any deficit in earnings and profits for any prior taxable year shall be taken into account under paragraph (1) for any taxable year only to the extent it has not been taken into account under such paragraph for any preceding taxable year to reduce earnings and profits of such preceding year.

"'(d) SPECIAL RULE IN CASE OF INDIRECT OWNERSHIP.—For purposes of subsection (c), if—

"'(1) a United States shareholder owns (within the meaning of section 958(a)) stock of a foreign corporation, and by reason of such ownership owns (within the meaning of such section) stock of any other foreign corporation, and

"'(2) any of such foreign corporations has a deficit in earnings and profits for the taxable year,

then the earnings and profits for the taxable year of each such foreign corporation which is a controlled foreign corporation shall, with respect to such United States shareholder, be properly reduced to take into account any deficit described in paragraph (2) in such manner as the Secretary or his delegate shall prescribe by regulations.

"'Sec. 953. Income from insurance of United States risks.

"'(a) GENERAL RULE.—For purposes of section 952(a)(1), the term "income derived from the insurance of United States risks" means that income which—

"'(1) is attributable to the reinsurance or the issuing of any insurance or annuity contract—

"'(A) in connection with property in, or liability arising out of activity in, or in connection with the lives or health of residents of, the United States, or

"'(B) in connection with risks not included in subparagraph (A) as the result of any arrangement whereby another corporation receives a substantially equal amount of premiums or other consideration in respect to any reinsurance or the issuing of any insurance or annuity contract in connection with property in, or liability arising out of activity in, or in connection with the lives or health of residents of, the United States, and

"'(2) would (subject to the modifications provided by paragraphs (1), (2), and (3) of subsection (b)) be taxed under subchapter L of this chapter if such income were the income of a domestic insurance corporation. This section shall apply only in the case of a controlled foreign corporation which receives, during any taxable year, premiums or other consideration in respect of the reinsurance, and the issuing, of insurance and annuity contracts described in paragraph (1) in excess of 5 percent of the total of premiums and other consideration received during such taxable year in respect of all reinsurance and issuing of insurance and annuity contracts.

"'(b) SPECIAL RULES.—For purposes of subsection (a)—

"'(1) In the application of part I of subchapter L, life insurance company taxable income is the gain from operations as defined in section 809(b).

"'(2) A corporation which would, if it were a domestic insurance corporation, be taxable under part II of subchapter L shall apply subsection (a) as if it were taxable under part III of subchapter L.

"'(3) The following provisions of subchapter L shall not apply:

"'(A) Section 809(d)(4) (operations loss deduction).

"'(B) Section 809(d)(5) (certain nonparticipating contracts).

"'(C) Section 809 (d)(6) (group life, accident, and health insurance).

"'(D) Section 809(d)(10) (small business deduction).

"'(E) Section 817(b) (gain on property held on December 31, 1958, and certain substituted property acquired after 1958).

"'(F) Section 832(b)(5) (certain capital losses).

"'(4) The items referred to in—

"'(A) section 809(c)(1) (relating to gross amount of premiums and other considerations),

"'(B) section 809(c)(2) (relating to net decrease in reserves),

"'(C) section 809(d)(2) (relating to net increase in reserves), and

"'(D) section 832(b)(4) (relating to premiums earned on insurance contracts),

shall be taken into account only to the extent they are in respect of any reinsurance or the issuing of any insurance or annuity contract described in subsection (a)(1).

"'(5) All items of income, expenses, losses, and deductions (other than those taken into account under paragraph (4)) shall be properly allocated or apportioned under regulations prescribed by the Secretary or his delegate.

"'SEC. 954. FOREIGN BASE COMPANY INCOME.

"'(a) FOREIGN BASE COMPANY INCOME.—For purposes of section 952(a)(2), the term 'foreign base company income' means for any taxable year the sum of—

"'(1) the foreign personal holding company income for the taxable year (determined under subsection (c) and reduced as provided in subsection (b)(5)),

"'(2) the foreign base company sales income for the taxable year (determined under subsection (d) and reduced as provided in subsection (b)(5), and

"'(3 the foreign base company services income for the taxable year (determined under subsection (e) and reduced as provided in subsection (b)(5)).

"'(b) EXCLUSIONS AND SPECIAL RULES.—

"'(1) EXCLUSION OF CERTAIN DIVIDENDS, INTEREST, AND GAINS FROM QUALIFIED INVESTMENTS IN LESS DEVELOPED COUNTRIES.—For

purposes of subsection (a), foreign base company income does not include—

"'(A) dividends and interest received during the taxable year from investments which at the time of receipt are qualified investments in less developed countries (as defined in section 955(b)), or

"'(B) if the gains from the sale or exchange during the taxable year of investments which at the time of sale or exchange are qualified investments in less developed countries exceed the losses from the sale or exchange during the taxable year of such qualified investments, the amount by which such gains exceed such losses.

The preceding sentence shall apply only to the extent that the sum of the dividends and interest described in subparagraph (A) and the amount described in subparagraph (B) does not exceed the increase for the taxable year in qualified investments in less developed countries of the controlled foreign corporation (as determined under subsection (f)).

"'(2) EXCLUSION OF CERTAIN SHIPPING INCOME.—For purposes of subsection (a), foreign base company income does not include income derived from, or in connection with, the use (or hiring or leasing for use) of any aircraft or vessel in foreign commerce, or the performance of services directly related to the use of any such aircraft or vessel.

"'(3) SPECIAL RULE WHERE FOREIGN BASE COMPANY IS LESS THAN 30 PERCENT OR MORE THAN 70 PERCENT OF GROSS INCOME.—For purposes of subsection (a)—

"'(A) If the foreign base company income (determined without regard to paragraphs (1) and (5)) is less than 30 percent of gross income, no part of the gross income of the taxable year shall be treated as foreign base company income.

"'(B) If the foreign base company income (determined without regard to paragraphs (1) and (5)) exceeds 70 percent of gross income, the entire gross income of the taxable year shall, subject to the provisions of paragraphs (1), (2), (4), and (5), be treated as foreign base company income.

"'(4) EXCEPTION FOR FOREIGN CORPORATIONS NOT AVAILED OF TO REDUCE TAXES.—For purposes of subsection (a), foreign base company income does not include any item of income received by a controlled foreign corporation if it is established to the satisfaction of the Secretary or his delegate with respect to such item that the creation or organization of the controlled foreign corporation receiving such item under the laws of the foreign country in which it is incorporated does not have the effect of substantial reduction of income, war profits, or excess profits taxes or similar taxes.

"'(5) DEDUCTIONS TO BE TAKEN INTO ACCOUNT.—For purposes of subsection (a), the foreign personal holding company income, the foreign base company sales income, and the foreign base company services income shall be reduced, under regulations prescribed by the Secretary or his delegate, so as to take into account deductions (including taxes) properly allocable to such income.

"'(c) FOREIGN PERSONAL HOLDING COMPANY INCOME.—

"'(1) IN GENERAL.—For purposes of subsection (a)(1), the term "foreign personal holding company income" means the foreign personal holding company income (as defined in section 553), modified and adjusted as provided in paragraphs (2), (3), and (4).

"'(2) RENTS INCLUDED WITHOUT REGARD TO 50 PERCENT LIMITATION.—For purposes of paragraph (1), all rents shall be included in foreign personal holding company income without regard to whether or not such rents constitute 50 percent or more of gross income.

"'(3) CERTAIN INCOME DERIVED IN ACTIVE CONDUCT OF TRADE OR BUSINESS.—For purposes of paragraph (1), foreign personal holding company income does not include—

"'(A) rents and royalties which are derived in the active conduct of a trade or business and which are received from a person other than a related person (within the meaning of subsection (d)(3)), or

"'(B) dividends, interest, and gains from the sale or exchange of stock or securities derived in the conduct of a banking, financing, or similar business, or derived from the investments made by an insurance company of its unearned premiums or reserves ordinary and necessary for the proper conduct of its insurance business, and which are received from a person other than a related person (within the meaning of subsection (d)(3)).

"'(4) CERTAIN INCOME RECEIVED FROM RELATED PERSONS.—For purposes of paragraph (1), foreign personal holding company incomes does not include—

"'(A) dividends and interest received from a related person which (i) is organized under the laws of the same foreign country under the laws of which the controlled foreign corporation is created or organized, and (ii) has a substantial part of its assets used in its trade or business located in such same foreign country;

"'(B) interest received in the conduct of a banking, financing or similar business from a related person engaged in the conduct of a banking, financing, or similar business if the businesses of the recipient and the payor are predominantly with persons other than related persons; and

"'(C) rents, royalties, and similar amounts received from a related person for the use of, or the privilege of using, property within the country under the laws of which the controlled foreign corporation is created or organized.

"'(d) FOREIGN BASE COMPANY SALES INCOME.—

"'(1) IN GENERAL.—For purposes of subsection (a)(2), the term "foreign base company sales income" means income (whether in the form of profits, commissions, fees, or otherwise) derived in connection with the purchase of personal property from a related person and its sale to any person, the sale of personal property to any person on behalf of a related person, the purchase of personal property from any person and its sale to a related person, or the purchase of personal property from any person on behalf of a related person where—

"'(A) the property which is purchased (or in the case of property sold on behalf of a related person, the property which is sold) is manufactured, produced, grown, or extracted outside the country under the laws of which the controlled foreign corporation is created or organized, and

"'(B) the property is sold for use, consumption, or disposition outside such foreign country, or, in the case of property purchased on behalf of a related person, is purchased for use, consumption, or disposition outside such foreign country.

"'(2) CERTAIN BRANCH INCOME.—For purposes of determining foreign base company sales income in situations in which the carrying on of activities by a controlled foreign corporation through a branch or similar establishment outside the country of incorporation of the controlled foreign corporation has substantially the same effect as if such branch or similar establishment were a wholly owned subsidiary corporation deriving such income, under regulations prescribed by the Secretary or his delegate the income attributable to the carrying on of such activities of such branch or similar establishment shall be treated as income derived by a wholly owned subsidiary of the controlled foreign corporation and shall constitute foreign base company sales income of the controlled foreign corporation.

"'(3) RELATED PERSON DEFINED.—For purposes of this section, a person is a related person with respect to a controlled foreign corporation, if—

"'(A) such person is an individual, partnership, trust, or estate which controls the controlled foreign corporation;

"'(B) such person is a corporation which controls, or is controlled by, the controlled foreign corporation; or

"'(C) such person is a corporation which is controlled by the same person or persons which control the controlled foreign corporation.

For purpose of the preceding sentence, control means the ownership, directly or indirectly, of stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote. For purposes of this paragraph, the rules for determining ownership of stock prescribed by section 958 shall apply.

"'(e) FOREIGN BASE COMPANY SERVICES INCOME.—For purposes of subsection (a)(3), the term "foreign base company services income" means income (whether in the form of compensation, commissions, fees, or otherwise) derived in connection with the performance of technical, managerial, engineering, architectural, scientific, skilled, industrial, commercial, or like services which—

"'(1) are performed for or on behalf of any related person (within the meaning of subsection (d)(3)), and

"'(2) are performed outside the country under the laws of which the controlled foreign corporation is created or organized.

The preceding sentence shall not apply to income derived in connection with the performance of services which are directly related to the sale or exchange by the controlled foreign corporation of property manufactured, produced, grown, or extracted by it and which are performed prior to the time of the sale or exchange, or of services directly related to an offer or effort to sell or exchange such property.

"'(f) INCREASE IN QUALIFIED INVESTMENTS IN LESS DEVELOPED COUNTRIES.—For purposes of subsection (b)(1), the increase for any taxable year in qualified investments in less developed countries of any controlled foreign corporation is the amount by which—

"'(1) the qualified investments in less developed countries (as defined in section 955(b)) of the controlled foreign corporation at the close of the taxable year, exceeds

"'(2) the qualified investments in less developed countries (as so defined) of the controlled foreign corporation at the close of the preceding taxable year.

"'Sec. 955. Withdrawal of previously excluded subpart F income from qualified investment.

"'(a) GENERAL RULES.—

"'(1) AMOUNT WITHDRAWN.—For purposes of this subpart, the amount of previously excluded subpart F income of any controlled foreign corporation withdrawn from investment in less developed countries for any taxable year is an amount equal to the decrease in the amount of qualified investments in less developed countries of the controlled foreign corporation for such year, but only to the extent that the amount of such decrease does not exceed an amount equal to—

"'(A) the sum of the amounts excluded under section 954(b)(1) from the foreign base company income of such corporation for all prior taxable years, reduced by

"'(B) the sum of the amounts of previously excluded subpart F income withdrawn from investment in less developed countries of such corporation determined under this subsection for all prior taxable years.

"'(2) DECREASE IN QUALIFIED INVESTMENTS.—For purposes of paragraph (1), the

amount of the decrease in qualified investments in less developed countries of any controlled foreign corporation for any taxable year is the amount by which—

"'(A) the amount of qualified investments in less developed countries of the controlled foreign corporation at the close of the preceding taxable year, exceeds

"'(B) the amount of qualified investments in less developed countries of the controlled foreign corporation at the close of the taxable year,

to the extent the amount of such decrease does not exceed the sum of the earnings and profits for the taxable year and the earnings and profits accumulated for prior taxable years beginning after December 31, 1962. For purposes of this paragraph, if qualified investments in less developed countries are disposed of by the controlled foreign corporation during the taxable year, the amount of the decrease in qualified investments in less developed countries of such controlled foreign corporation for such year shall be reduced by an amount equal to the amount (if any) by which the losses on such dispositions during such year exceed the gains on such dispositions during such year.

"'(3) PRO RATA SHARE OF AMOUNT WITHDRAWN.—In the case of any United States shareholder, the pro rata share of the amount of previously excluded subpart F income of any controlled foreign corporation withdrawn from investment in less developed countries for any taxable year is his pro rata share of the amount determined under paragraph (1).

"'(b) QUALIFIED INVESTMENTS IN LESS DEVELOPED COUNTRIES.—

"'(1) IN GENERAL.—For purposes of this subpart, the term "qualified investments in less developed countries" means property which is—

"'(A) stock of a less developed country corporation held by the controlled foreign corporation, but only if the controlled foreign corporation owns 10 percent or more of the total combined voting power of all classes of stock of such less developed country corporation;

"'(B) an obligation of a less developed country corporation held by the controlled foreign corporation, which, at the time of its acquisition by the controlled foreign corporation, has a maturity of 5 years or more, but only if the controlled foreign corporation owns 10 percent or more of the total combined voting power of all classes of stock of such less developed country corporation; or

"'(C) an obligation of a less developed country.

"'(2) COUNTRY CEASES TO BE LESS DEVELOPED COUNTRY.—For purposes of this subpart, property which would be a qualified investment in less developed countries, but for the fact that a foreign country has, after the acquisition of such property by the controlled foreign corporation, ceased to be a less developed country, shall be treated as a qualified investment in less developed countries.

"'(3) INVESTMENTS AFTER CLOSE OF YEAR.—For purposes of this subpart, a controlled foreign corporation may, under regulations prescribed by the Secretary or his delegate, elect to treat property described in paragraph (1) or (2) which was acquired after the close of the taxable year and on or before the close of the following taxable year, or on or before such day after the close of the following taxable year as such regulations may prescribe, as having been acquired on the last day of the taxable year.

"'(4) AMOUNT ATTRIBUTABLE TO PROPERTY.—The amount taken into account under this subpart with respect to any property described in paragraph (1) or (2) shall be its adjusted basis, reduced by any liability to which such property is subject.

"'(c) LESS DEVELOPED COUNTRY CORPORATIONS.—

"'(1) IN GENERAL.—For purposes of this subpart, the term "less developed country corporation" means a foreign corporation which is created or organized under the laws of a less developed country and which during the taxable year is engaged in the active conduct of one or more trades or businesses and—

"'(A) 80 percent or more of the gross income of which for the taxable year is derived from sources within less developed countries; and

"'(B) 80 percent or more in value of the assets of which on each day of the taxable year consists of—

"'(i) property used in such trades or businesses and located in less developed countries,

"'(ii) money, and deposits with persons carrying on the banking business,

"'(iii) stock, and obligations which, at the time of their acquistion, have a maturity of 5 years or more, of any other less developed country corporation,

"'(iv) an obligation of a less developed country,

"'(v) an investment which is required because of restrictions imposed by a less developed country, and

"'(vi) property described in section 956 (b)(2).

For purposes of subparagraph (A), the determination as to whether income is derived from sources within less developed countries shall be made under regulations prescribed by the Secretary or his delegate.

"'(2) SHIPPING COMPANIES.—For purposes of this subpart, the term "less developed country corporation" also means a foreign corporation—

"'(A) 80 percent or more of the gross income of which for the taxable year consists of—

"'(i) gross income derived from, or in connection with, the using (or hiring or leasing for use) in foreign commerce of aircraft or vessels registered under the laws of a less developed country, or from, or in connection with, the performance of services directly related to use of such aircraft or vessels, or from the sale or exchange of such aircraft or vessels, and

"'(ii) dividends and interest received from foreign corporations which are less developed country corporations within the meaning of this paragraph and 10 percent or more of the total combined voting power of all classes of stock of which are owned by the foreign corporation, and gain from the sale or exchange of stock or obligations of foreign corporations which are such less developed country corporations, and

"'(B) 80 percent or more of the assets of which on each day of the taxable year consists of (i) assets used, or held for use, for or in connection with the production of income described in subparagraph (A), and (ii) property described in section 956(b)(2).

"'(3) LESS DEVELOPED COUNTRY DEFINED.—For purposes of this subpart, the term "less developed country" means (in respect of any foreign corporation) any foreign country (other than an area within the Sino-Soviet bloc) or any possession of the United States with respect to which, on the first day of the taxable year, there is in effect an Executive order by the President of the United States designating such country or possession as an economically less developed country for purposes of this subpart. For purposes of the preceding sentence, an overseas territory, department, province, or possession may be treated as a separate country. No designation shall be made under this paragraph with respect to Australia, Austria, Belgium, Canada, Denmark, France, Germany (Federal Republic), Hong Kong, Italy, Japan, Liechtenstein, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Union of South Africa, San Marino, Sweden, Switzerland, United Kingdom. After the President has designated any foreign country or any possession of the United States as an economically less developed country for purposes of this subpart, he shall not terminate such designation (either by issuing an Executive order for that purpose or by issuing an Executive order under the first sentence of this paragraph which has the effect of terminating such designation) unless, at least 30 days prior to such termination, he has notified the Senate and the House of Representatives of his intention to terminate such designation.

"'Sec. 956. Investment of earnings in United States property.

"'(a) GENERAL RULES.—For purposes of this subpart—

"'(1) AMOUNT OF INVESTMENT. — The amount of earnings of a controlled foreign corporation invested in United States property at the close of any taxable year is the aggregate amount of such property held, directly or indirectly, by the controlled foreign corporation at the close of the taxable year, to the extent such amount would have constituted a dividend (determined after the application of section 955(a)) if it had been distributed.

"'(2) PRO RATA SHARE OF INCREASE FOR YEAR.—In the case of any United States shareholder, the pro rata share of the increase for any taxable year in the earnings of a controlled foreign corporation invested in United States property is the amount determined by subtracting his pro rata share of—

"'(A) the amount determined under paragraph (1) for the close of the preceding taxable year, reduced by amounts paid during such preceding taxable year to which section 959(c)(1) applies, from

"'(B) the amount determined under paragraph (1) for the close of the taxable year.

The determinations under subparagraphs (A) and (B) shall be made on the basis of stock owned (within the meaning of section 958(a)) by such United States shareholder on the last day during the taxable year on which the foreign corporation is a controlled foreign corporation.

"'(3) AMOUNT ATTRIBUTABLE TO PROPERTY.—The amount taken into account under paragraph (1) or (2) with respect to any property shall be its adjusted basis, reduced by any liability to which the property is subject.

"'(b) UNITED STATES PROPERTY DEFINED.—

"'(1) IN GENERAL.—For purposes of subsection (a), the term "United States property" means any property acquired after December 31, 1962, which is—

"'(A) tangible property located in the United States;

"'(B) stock of a domestic corporation;

"'(C) an obligation of a United States person; or

"'(D) any right to the use in the United States of—

"'(i) a patent or copyright,

"'(ii) an invention, model, or design (whether or not patented),

"'(iii) a secret formula or process, or

"'(iv) any other similar property right, which is acquired or developed by the controlled foreign corporation for use in the United States.

"'(2) EXCEPTIONS.—For purposes of subsection (a), the term "United States property" does not include—

"'(A) obligations of the United States, money, or deposits with persons carrying on the banking business;

"'(B) property located in the United States which is purchased in the United States for export to, or use in, foreign countries;

"'(C) any obligation of a United States person arising in connection with the sale or processing of property if the amount of

such obligation outstanding at no time during the taxable year exceeds the amount which would be ordinary and necessary to carry on the trade or business of both the other party to the sale or processing transaction and the United States person had the sale or processing transaction been made between unrelated persons;

"'(D) any aircraft, railroad rolling stock, vessel, motor vehicle, or container used in the transportation of persons or property in foreign commerce and used predominantly outside the United States;

"'(E) an amount of assets of an insurance company equivalent to the unearned premiums or reserves ordinary and necessary for the proper conduct of its insurance business attributable to contracts which are not contracts described in section 953(a)(1); and

"'(F) an amount of assets of the controlled foreign corporation equal to the earnings and profits accumulated after December 31, 1962, and excluded from subpart F income under section 952(b).

"'(c) PLEDGES AND GUARANTEES.—For purposes of subsection (a), a controlled foreign corporation shall, under regulations prescribed by the Secretary or his delegate, be considered as holding an obligation of a United States person if such controlled foreign corporation is a pledgor or guarantor of such obligation.

"'Sec. 957. Controlled foreign corporations; United States persons.

"'(a) GENERAL RULE.—For purposes of this subpart, the term "controlled foreign corporation" means any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock entitled to vote is owned (within the meaning of section 958(a)), or is considered as owned by applying the rules of ownership of section 958(b), by United States shareholders on any day during the taxable year of such foreign corporation.

"'(b) SPECIAL RULE FOR INSURANCE.—For purposes only of taking into account income described in section 953(a) (relating to income derived from insurance of United States risks), the term "controlled foreign corporation" includes not only a foreign corporation as defined by subsection (a) but also one of which more than 25 percent of the total combined voting power of all classes of stock is owned (within the meaning of section 958(a)), or is considered as owned by applying the rules of ownership of section 958(b), by United States shareholders on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration in respect of the reinsurance or the issuing of insurance or annuity contracts described in section 953(a)(1) exceeds 75 percent of the gross amount of all premiums or other consideration in respect of all risks.

"'(c) CORPORATIONS ORGANIZED IN UNITED STATES POSSESSIONS.—For purposes of this subpart, the term "controlled foreign corporation" does not include any corporation created or organized in the Commonwealth of Puerto Rico or a possession of the United States or under the laws of the Commonwealth of Puerto Rico or a possession of the United States if—

"'(1) 80 percent or more of the gross income of such corporation (computed without regard to section 931) for the 3-year period immediately preceding the close of the taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable) was derived from sources within the Commonwealth of Puerto Rico or a possession of the United States; and

"'(2) 50 percent or more of the gross income of such corporation (computed without regard to section 931) for such period, or for such part thereof, was derived from the active conduct within the Commonwealth of Puerto Rico or a possession of the United States of any trades or businesses constituting the manufacture or processing of goods, wares, merchandise, or other tangible personal property; the processing of agricultural or horticultural products or commodities (including but not limited to livestock, poultry, or furbearing animals); the catching or taking of any kind of fish or the mining or extraction of natural resources, or any manufacturing or processing of any products or commodities obtained from such activities; or the ownership or operation of hotels.

For purposes of paragraphs (1) and (2), the determination as to whether income was derived from sources within the Commonwealth of Puerto Rico or a possession of the United States and was derived from the active conduct of a described trade or business within the Commonwealth of Puerto Rico or a possession of the United States shall be made under regulations prescribed by the Secretary or his delegate.

"'(d) UNITED STATES PERSON.—For purposes of this subpart, the term "United States person" has the meaning assigned to it by section 7701(a)(30) except that—

"'(1) with respect to a corporation organized under the laws of the Commonwealth of Puerto Rico, such term does not include an individual who is a bona fide resident of Puerto Rico, if a dividend received by such individual during the taxable year from such corporation would, for purposes of section 933(1), be treated as income derived from sources within Puerto Rico,

"'(2) with respect to a corporation organized under the laws of the Virgin Islands, such term does not include an individual who is a bona fide resident of the Virgin Islands and whose income tax obligation under this subtitle for the taxable year is satisfied pursuant to section 28(a) of the Revised Organic Act of the Virgin Islands, approved July 22, 1954 (48 U.S.C. 1642), by paying tax on income derived from all sources both within and outside the Virgin Islands into the treasury of the Virgin Islands, and

"'(3) with respect to a corporation organized under the laws of any other possession of the United States, such term does not include an individual who is a bona fide resident of any such other possession and whose income derived from sources within possessions of the United States is not, by reason of section 931(a), includible in gross income under this subtitle for the taxable year.

"'Sec. 958. Rules for determining stock ownership.

"'(a) DIRECT AND INDIRECT OWNERSHIP.—

"'(1) GENERAL RULE.—For purposes of this subpart (other than sections 955(b)(1)(A) and (B), 955(c)(2)(A)(ii), and 960(a)(1)), stock owned means—

"'(A) stock owned directly, and

"'(B) stock owned with the application of paragraph (2).

"'(2) STOCK OWNERSHIP THROUGH FOREIGN ENTITIES.—For purposes of subparagraph (B) of paragraph (1), stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or foreign trust or foreign estate (within the meaning of section 7701(a)(31)) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

"'(3) SPECIAL RULE FOR MUTUAL INSURANCE COMPANIES.—For purposes of applying paragraph (1) in the case of a foreign mutual insurance company, the term "stock" shall include any certificate entitling the holder to voting power in the corporation.

"'(b) CONSTRUCTIVE OWNERSHIP.—For purposes of sections 951(b), 954(d)(3), and 957, section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to treat any United States person as a United States shareholder within the meaning of section 951(b), to treat a person as a related person within the meaning of section 954(d)(3), or to treat a foreign corporation as a controlled foreign corporation under section 957, except that—

"'(1) In applying paragraph (1)(A) of section 318(a), stock owned by a nonresident alien individual (other than a foreign trust or foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.

"'(2) In applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2), if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote.

"'(3) Stock owned by a partnership, estate, trust, or corporation, by reason of the application of the second sentence of subparagraphs (A) and (B), and the application of clause (ii) of subparagraph (C), of section 318(a)(2), shall not be considered as owned by such partnership, estate, trust, or corporation, for purposes of applying the first sentence of subparagraphs (A) and (B), and in applying clause (i) of subparagraph (C), of section 318(a)(2).

"'(4) In applying clause (i) of subparagraph (C) of section 318(a)(2), the phrase "10 percent" shall be substituted for the phrase "50 percent" used in subparagraph (C).

"'(5) The second sentence of subparagraphs (A) and (B), and clause (ii) of subparagraph (C), of section 318(a)(2) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person.

"'Sec. 959. Exclusion from gross income of previously taxed earnings and profits.

"'(a) EXCLUSION FROM GROSS INCOME OF UNITED STATES PERSONS.—For purposes of this chapter, the earnings and profits for a taxable year of a foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States shareholder under section 951(a) shall not, when—

"'(1) such amounts are distributed to, or

"'(2) such amounts would, but for this subsection, be included under section 951(a)(1)(B) in the gross income of,

such shareholder (or any other United States person who acquires from any person any portion of the interest of such United States shareholder in such foreign corporation, but only to the extent of such portion, and subject to such proof of the identity of such interest as the Secretary or his delegate may by regulations prescribe) directly, or indirectly through a chain of ownership described under section 958(a), be again included in the gross income of such United States shareholder (or of such other United States person).

"'(b) EXCLUSION FROM GROSS INCOME OF CERTAIN FOREIGN SUBSIDIARIES.—For purposes of section 951(a), the earnings and profits for a taxable year of a controlled foreign corporation attributable to amounts which are, or have been, included in the gross income of a United States shareholder under section 951(a), shall not, when distributed through a chain of ownership described under section 958(a), be also included in the gross income of another controlled foreign corporation in such chain for purposes of the application of section 951(a) to such other controlled foreign corporation with respect to such United States shareholder (or

to any other United States shareholder who acquires from any person any portion of the interest of such United States shareholder in the controlled foreign corporation, but only to the extent of such portion, and subject to such proof of identity of such interest as the Secretary or his delegate may prescribe by regulations).

"'(c) ALLOCATION OF DISTRIBUTIONS.—For purposes of subsections (a) and (b), section 316(a) shall be applied by applying paragraph (2) thereof, and then paragraph (1) thereof—

"'(1) first to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(B) (or which would have been included except for subsection (a)(2) of this section),

"'(2) then to earnings and profits attributable to amounts included in gross income under section 951(a)(1)(A) (but reduced by amounts not included under section 951(a)(1)(B) because of the exclusion in subsection (a)(2) of this section), and

"'(3) then to other earnings and profits.

"'(d) DISTRIBUTIONS EXCLUDED FROM GROSS INCOME NOT TO BE TREATED AS DIVIDENDS.—Except as provided in section 960(a)(3), any distribution excluded from gross income under subsection (a) shall be treated, for purposes of this chapter, as a distribution which is not a dividend.

"'Sec. 960. Special rules for foreign tax credit.

"'(a) TAXES PAID BY A FOREIGN CORPORATION.—

"'(1) GENERAL RULE.—For purposes of subpart A of this part, if there is included, under section 951(a), in the gross income of a domestic corporation any amount attributable to earnings and profits—

"'(A) of a foreign corporation at least 10 percent of the voting stock of which is owned by such domestic corporation, or

"'(B) of a foreign corporation at least 50 percent of the voting stock of which is owned by a foreign corporation at least 10 percent of the voting stock of which is in turn owned by such domestic corporation,

then, under regulations prescribed by the Secretary or his delegate, such domestic corporation shall be deemed to have paid the same proportion of the total income, war profits, and excess profits taxes paid (or deemed paid) by such foreign corporation to a foreign country or possession of the United States for the taxable year on or with respect to the earnings and profits of such foreign corporation which the amount of earnings and profits of such foreign corporation so included in gross income of the domestic corporation bears to—

"'(C) if the foreign corporation at least 10 percent of the voting stock of which is owned by such domestic corporation referred to in subparagraph (A) or (B) is not a less developed country corporation (as defined in section 902(d)) for such taxable year, the entire amount of the earnings and profits of such foreign corporation for such taxable year, or

"'(D) if the foreign corporation at least 10 percent of the voting stock of which is owned by such domestic corporation referred to in subparagraph (A) or (B) is a less developed country corporation (as defined in section 902(d)) for such taxable year, the sum of the entire amount of the earnings and profits of such foreign corporation for such taxable year and the total income, war profits, and excess profits taxes paid by such foreign corporation to foreign countries or possessions of the United States for such taxable year.

"'(2) TAXES PREVIOUSLY DEEMED PAID BY DOMESTIC CORPORATION.—If a domestic corporation receives a distribution from a foreign corporation, any portion of which is excluded from gross income under section 959, the income, war profits, and excess profits taxes paid or deemed paid by such foreign corporation to any foreign country or to any possession of the United States in connection with the earnings and profits of such foreign corporation from which such distribution is made shall not be taken into account for purposes of section 902, to the extent such taxes were deemed paid by a domestic corporation under paragraph (1) for any prior taxable year.

"'(3) TAXES PAID BY FOREIGN CORPORATION AND NOT PREVIOUSLY DEEMED PAID BY DOMESTIC CORPORATION.—Any portion of a distribution from a foreign corporation received by a domestic corporation which is excluded from gross income under section 959(a) shall be treated by the domestic corporation as a dividend, solely for purposes of taking into account under section 902 any income, war profits, or excess profits taxes paid to any foreign country or to any possession of the United States, on or with respect to the accumulated profits of such foreign corporation from which such distribution is made, which were not deemed paid by the domestic corporation under paragraph (1) for any prior taxable year.

"'(b) SPECIAL RULES FOR FOREIGN TAX CREDIT IN YEAR OF RECEIPT OF PREVIOUSLY TAXED EARNINGS AND PROFITS.—

"'(1) INCREASE IN SECTION 904 LIMITATION.—In the case of any taxpayer who—

"'(A) either (i) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, or (ii) did not pay or accrue for such taxable year any income, war profits, or excess profits taxes to any foreign country or to any possession of the United States, and

"'(B) chooses to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 959(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A), and

"'(C) for the taxable year in which such distribution or amount is received, pays, or is deemed to have paid, or accrues income, war profits, or excess profits taxes to a foreign country or to any possession of the United States with respect to such distribution or amount,

the applicable limitation under section 904 for the taxable year in which such distribution or amount is received shall be increased as provided in paragraph (2), but such increase shall not exceed the amount of such taxes paid, or deemed paid, or accrued with respect to such distribution or amount.

"'(2) AMOUNT OF INCREASE.—The amount of increase of the applicable limitation under section 904(a) for the taxable year in which the distribution or amount referred to in paragraph (1)(B) is received shall be an amount equal to—

"'(A) the amount by which the applicable limitation under section 904(a) for the taxable year referred to in paragraph (1)(A) was increased by reason of the inclusion in gross income under section 951(a) of the amount in respect of the controlled foreign corporation, reduced by

"'(B) the amount of any income, war profits, and excess profits taxes paid, or deemed paid, or accrued to any foreign country or possession of the United States which were allowable as a credit under section 901 for the taxable year referred to in paragraph (1)(A) and which would not have been allowable but for the inclusion in gross income of the amount described in subparagraph (A).

"'(3) CASES IN WHICH TAXES NOT TO BE ALLOWED AS DEDUCTION.—In the case of any taxpayer who—

"'(A) chose to have the benefits of subpart A of this part for a taxable year in which he was required under section 951(a) to include in his gross income an amount in respect of a controlled foreign corporation, and

"'(B) does not choose to have the benefits of subpart A of this part for the taxable year in which he receives a distribution or amount which is excluded from gross income under section 959(a) and which is attributable to earnings and profits of the controlled foreign corporation which was included in his gross income for the taxable year referred to in subparagraph (A),

no deduction shall be allowed under section 164 for the taxable year in which such distribution or amount is received for any income, war profits, or excess profits taxes paid or accrued to any foreign country or to any possession of the United States on or with respect to such distribution or amount.

"'(4) INSUFFICIENT TAXABLE INCOME.—If an increase in the limitation under this subsection exceeds the tax imposed by this chapter for such year, the amount of such excess shall be deemed an overpayment of tax for such year.

"'Sec. 961. Adjustments to basis of stock in controlled foreign corporation and of other property.

"'(a) INCREASE IN BASIS.—Under regulations prescribed by the Secretary or his delegate, the basis of a United States shareholder's stock in a controlled foreign corporation, and the basis of property of a United States shareholder by reason of which he is considered under section 958(a)(2) as owning stock of a controlled foreign corporation, shall be increased by the amount required to be included in his gross income under section 951(a) with respect to such stock or with respect to such property, as the case may be, but only to the extent to which such amount was included in the gross income of such United States shareholder. In the case of a United States shareholder who has made an election under section 962 for the taxable year, the increase in basis provided by this subsection shall not exceed an amount equal to the amount of tax paid under this chapter with respect to the amounts required to be included in his gross income under section 951(a).

"'(b) REDUCTION IN BASIS.—

"'(1) IN GENERAL.—Under regulations prescribed by the Secretary or his delegate, the adjusted basis of stock or other property with respect to which a United States shareholder or a United States person receives an amount which is excluded from gross income under section 959(a) shall be reduced by the amount so excluded. In the case of a United States shareholder who has made an election under section 962 for any prior taxable year, the reduction in basis provided by this paragraph shall not exceed an amount equal to the amount received which is excluded from gross income under section 959(a) after the application of section 962(d).

"'(2) AMOUNT IN EXCESS OF BASIS.—To the extent that an amount excluded from gross income under section 959(a) exceeds the adjusted basis of the stock or other property with respect to which it is received, the amount shall be treated as gain from the sale or exchange of property.

"'SEC. 962. Election by individuals to be subject to tax at corporate rates.

"'(a) GENERAL RULE.—Under regulations prescribed by the Secretary or his delegate, in the case of a United States shareholder who is an individual and who elects to have

the provisions of this section apply for the taxable year—

"'(1) the tax imposed under this chapter on amounts which are included in his gross income under section 951(a) shall (in lieu of the tax determined under section 1) be an amount equal to the tax which would be imposed under section 11 if such amounts were received by a domestic corporation, and

"'(2) for purposes of applying the provisions of section 960 (relating to foreign tax credit) such amounts shall be treated as if they were received by a domestic corporation.

"'(b) ELECTION.—An election to have the provisions of this section apply for any taxable year shall be made by a United States shareholder at such time and in such manner as the Secretary or his delegate shall prescribe by regulations. An election made for any taxable year may not be revoked except with the consent of the Secretary or his delegate.

"'(c) SURTAX EXEMPTION.—For purposes of applying subsection (a)(1), the surtax exemption provided by section 11(c) shall not exceed, in the case of any United States shareholder, an amount which bears the same ratio to $25,000 as the amounts included in his gross income under section 951 (a) for the taxable years bears to his pro rata share of the earnings and profits for the taxable year of all controlled foreign corporations with respect to which such United States shareholder includes any amount in gross income under section 951(a).

"'(d) SPECIAL RULE FOR ACTUAL DISTRIBUTIONS.—The earnings and profits of a foreign corporation attributable to amounts which were included in the gross income of a United States shareholder under section 951 (a) and with respect to which an election under this section applied shall, when such earnings and profits are distributed, notwithstanding the provisions of section 959(a)(1), be included in gross income to the extent that such earnings and profits so distributed exceed the amount of tax paid under this chapter on the amounts to which such election applied.

"'Sec. 963. Receipt of minimum distributions by domestic corporations.

"'(a) GENERAL RULE.—In the case of a United States shareholder which is a domestic corporation and which consents to all the regulations prescribed by the Secretary or his delegate under this section prior to the last day prescribed by law for filing its return of the tax imposed by this chapter for the taxable year, no amount shall be included in gross income under section 951(a)(1)(A)(i) for the taxable year with respect to the subpart F income of a controlled foreign corporation, if—

"'(1) in the case of a controlled foreign corporation described in subsection (c)(1), the United States shareholder receives a minimum distribution of the earnings and profits for the taxable year of such controlled foreign corporation;

"'(2) in the case of controlled foreign corporations described in subsection (c)(2), the United States shareholder receives a minimum distribution with respect to the consolidated earnings and profits for the taxable year of all such controlled foreign corporations; or

"'(3) in the case of controlled foreign corporations described in subsection (c)(3), the United States shareholder receives a minimum distribution of the consolidated earnings and profits for the taxable year of all such controlled foreign corporations.

"'(b) MINIMUM DISTRIBUTIONS.—For purposes of this section, a minimum distribution with respect to the earnings and profits for the taxable year of any controlled foreign corporation or corporations shall, in the case of any United States shareholder, be its pro rata share of an amount determined in accordance with the following table:

"'If the effective foreign tax rate is (percentage):	The required minimum distribution of earnings and profits is (percentage):
Under 10	90
10 or over but less than 20	80
20 or over but less than 30	70
30 or over but less than 40	60
40 or over but less than 42	50
42 or over but less than 44	38
44 or over but less than 46	26
46 or over but not more than 47	14
Over 47	0

"'(c) AMOUNTS TO WHICH SECTION APPLIES.—

"'(1) FOREIGN SUBSIDIARIES.—Subsection (a)(1) shall apply to amounts which (but for the provisions of this section) would be included in the gross income of the United States shareholder under section 951(a)(1)(A)(i) by reason of its ownership, within the meaning of section 958(a)(1)(A), of stock of a controlled foreign corporation.

"'(2) CHAIN OF CONTROLLED FOREIGN CORPORATIONS.—Subsection (a)(2) shall apply to amounts which (but for the provisions of this section) would be included in the gross income of the United States shareholder under section 951(a)(1)(A)(i)—

"'(A) by reason of its ownership, within the meaning of section 958(a)(1)(A), of stock of a controlled foreign corporation, and

"'(B) to the extent that the United States shareholder so elects, by reason of its ownership, within the meaning of section 958(a)(2), of stock of any other controlled foreign corporation (on account of its ownership of the stock described in subparagraph (A) or of stock described in this subparagraph), but only if there is taken into account the earnings and profits of such foreign corporation, whether or not a controlled foreign corporation, by reason of which the United States shareholder owns, within the meaning of section 958(a)(2), stock of such controlled foreign corporation.

"'(3) ALL CONTROLLED FOREIGN CORPORATIONS.—Except as provided in paragraph (4), subsection (a)(3) shall apply to amounts which (but for the provisions of this section) would be included in the gross income of the United States shareholder under section 951(a)(1)(A)(i)—

"'(A) by reason of its ownership, within the meaning of section 958(a)(1)(A), of stock of all controlled foreign corporations in which it owns stock within the meaning of such section, and

"'(B) by reason of its ownership, within the meaning of section 958(a)(2), of stock of all controlled foreign corporations in which it owns stock within the meaning of such section, but only if there is taken into account the earnings and profits of each foreign corporation, whether or not a controlled foreign corporation, by reason of which the United States shareholder owns, within the meaning of section 958(a), stock of any of such controlled foreign corporations.

"'(4) EXCEPTIONS AND SPECIAL RULES.—

"'(A) LESS DEVELOPED COUNTRY CORPORATIONS.—If the United States shareholder so elects, subsection (a)(3) and paragraph (3) of this subsection shall not apply to amounts which would be included in the gross income of such shareholder under section 951(a)(1)(A)(i) by reason of its ownership, within the meaning of section 958(a), of stock of controlled foreign corporations which are less developed country corporations (as defined in section 955(c)). This subparagraph shall not apply with respect to a less developed country corporation if, by reason of the ownership of the stock of such corporation, the United States shareholder owns, within the meaning of section 958(a)(2), stock of any other controlled foreign corporation which is not a less developed country corporation. Except as provided in the preceding sentence, an election under this subparagraph may be made only with respect to all controlled foreign corporations which are less developed country corporations and with respect to which the domestic corporation making the election is a United States shareholder.

"'(B) FOREIGN BRANCHES.—In applying subsection (a)(3) and paragraph (3) of this subsection, if a United States shareholder so elects, all branches maintained by such shareholder in foreign countries, the Commonwealth of Puerto Rico, or possessions of the United States shall, under regulations prescribed by the Secretary or his delegate, be treated as wholly owned subsidiary corporations of such shareholder organized under the laws of such foreign countries, the Commonwealth of Puerto Rico, or possessions of the United States, as the case may be. Each branch so treated shall, for purposes of this section, be considered to have distributed to the United States shareholder all of its earnings and profits for the taxable year. This subparagraph shall not apply to a branch maintained by a United States shareholder in the Commonwealth of Puerto Rico or a possession of the United States unless—

"'(i) such branch would be a controlled foreign corporation (as defined in section 957) if it were incorporated under the laws of the Commonwealth of Puerto Rico or the possession of the United States, as the case may be, and

"'(ii) the gross income of the United States shareholder for the taxable year includes income derived from sources within the Commonwealth of Puerto Rico and possessions of the United States.

"'(C) BLOCKED FOREIGN INCOME.—If a United States shareholder so elects, the provisions of subsection (a)(3) and of paragraph (3) of this subsection shall not apply with respect to any foreign corporation, if it is established to the satisfaction of the Secretary or his delegate that the earnings and profits of such foreign corporation could not have been distributed to United States shareholders who own (within the meaning of section 958(a)) stock of such foreign corporation because of currency or other restrictions or limitations imposed under the laws of any foreign country.

"'(d) EFFECTIVE FOREIGN TAX RATE.—For purposes of this section, the term "effective foreign tax rate" means—

"'(1) with respect to a single controlled foreign corporation, the percentage which—

"'(A) the income, war profits, or excess profits taxes paid or accrued to foreign countries or possessions of the United States by the controlled foreign corporation for the taxable year on or with respect to its earnings and profits for the taxable year, is of

"'(B) the sum of (i) the earnings and profits of the controlled foreign corporation described in subparagraph (A) and (ii) and the taxes described in subparagraph (A); and

"'(2) with respect to two or more foreign corporations, the percentage which—

"'(A) the total income, war profits, or excess profits taxes paid or accrued to foreign countries or possessions of the United States by such foreign corporations for the taxable year on or with respect to the total earnings and profits of such foreign corporations for the taxable year, is of

"'(B) the sum of (i) the total earnings and profits of such foreign corporations described in subparagraph (A) and (ii) the taxes described in subparagraph (A).

For purposes of the preceding sentence, in the case of any United States shareholder,

the computation of the effective foreign tax rate applicable with respect to any controlled foreign corporation or corporations shall be made without regard to distributions made by such controlled foreign corporation or corporations to such United States shareholder.

"'(e) SPECIAL RULES.—

"'(1) YEAR FROM WHICH DISTRIBUTIONS ARE MADE.—For purposes of this section, the second sentence of section 902(c)(1) shall apply in determining from the earnings and profits of what year distributions are made by any foreign corporation, except that the Secretary or his delegate may by regulations provide a period in excess of 60 days in lieu of the 60-day period prescribed in such section.

"'(2) INSUFFICIENT DISTRIBUTIONS.—If—

"'(A) a United States shareholder, in making its return of the tax imposed by this chapter for any taxable year, applies the provisions of this section with respect to any controlled foreign corporation,

"'(B) it is subsequently determined that this section did not apply with respect to such controlled foreign corporation for such taxable year due to the failure of the United States shareholder to receive a minimum distribution with respect to such controlled foreign corporation, and

"'(C) such failure is due to reasonable cause, then a subsequent distribution made with respect to such controlled foreign corporation may, if made at a time and in a manner prescribed by the Secretary or his delegate by regulations, be treated, for purposes of this chapter, as having been made for, and received in, the taxable year of the United States shareholder for which such shareholder applied the provisions of this section.

"'(3) AFFILIATED GROUPS OF CORPORATIONS.—An affiliated group of corporations which is eligible to make a consolidated return under section 1501 for the taxable year, may, if it so elects, be treated as a single United States shareholder for purposes of applying this section for the taxable year.

"'(f) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as he may deem necessary to carry out the provisions of this section, including regulations for the determination of the amount of foreign tax credit in the case of distributions with respect to the earnings and profits of two or more foreign corporations.

"'Sec. 964. Miscellaneous provisions.

"'(a) EARNINGS AND PROFITS.—For purposes of this subpart, the earnings and profits of any foreign corporation, and the deficit in earnings and profits of any foreign corporation, for any taxable year shall be determined according to rules substantially similar to those applicable to domestic corporations, under regulations prescribed by the Secretary or his delegate.

"'(b) BLOCKED FOREIGN INCOME.—Under regulations prescribed by the Secretary or his delegate, no part of the earnings and profits of a controlled foreign corporation for any taxable year shall be included in earnings and profits for purposes of sections 952, 955, and 956, if it is established to the satisfaction of the Secretary or his delegate that such part could not have been distributed by the controlled foreign corporation to United States shareholders who own (within the meaning of section 958(a)) stock of such controlled foreign corporation because of currency or other restrictions or limitations imposed under the laws of any foreign country.

"'(c) RECORDS AND ACCOUNTS OF UNITED STATES SHAREHOLDERS.—

"'(1) RECORDS AND ACCOUNTS TO BE MAINTAINED.—The Secretary or his delegate may by regulations require each person who is, or has been, a United States shareholder of a controlled foreign corporation to maintain such records and accounts as may be prescribed by such regulations as necessary to carry out the provisions of this subpart and subpart G.

"'(2) TWO OR MORE PERSONS REQUIRED TO MAINTAIN OR FURNISH THE SAME RECORDS AND ACCOUNTS WITH RESPECT TO THE SAME FOREIGN CORPORATION.—Where, but for this paragraph, two or more United States persons would be required to maintain or furnish the same records and accounts as may by regulations be required under paragraph (1) with respect to the same controlled foreign corporation for the same period, the Secretary or his delegate may by regulations provide that the maintenance or furnishing of such records and accounts by only one such person shall satisfy the requirements of paragraph (1) for such other persons.

"'Subpart G—Export Trade Corporations

"'Sec. 970. Reduction of subpart F income of export trade corporations.

"'Sec. 971. Definitions.

"'Sec. 972. Consolidation of group of export trade corporations.

"'Sec. 970. Reduction of subpart F income of export trade corporations.

"'(a) EXPORT TRADE INCOME CONSTITUTING FOREIGN BASE COMPANY INCOME.—

"'(1) IN GENERAL.—In the case of a controlled foreign corporation (as defined in section 957) which for the taxable year is an export trade corporation, the subpart F income (determined without regard to this subpart) of such corporation for such year shall be reduced by an amount equal to so much of the export trade income (as defined in section 971(b)) of such corporation for such year as constitutes foreign base company income (as defined in section 954), but only to the extent that such amount does not exceed whichever of the following amounts is the lesser:

"'(A) an amount equal to 1½ times so much of the export promotion expenses (as defined in section 971(d)) of such corporation for such year as is properly allocable to the export trade income which constitutes foreign base company income of such corporation for such year, or

"'(B) an amount equal to 10 percent of so much of the gross receipts for such year (or, in the case of gross receipts arising from commissions, fees, or other compensation for its services, so much of the gross amount upon the basis of which such commissions, fees, or other compensation is computed) accruing to such export trade corporation from the sale, installation, operation, maintenance, or use of property in respect of which such corporation derives export trade income as is properly allocable to the export trade income which constitutes foreign base company income of such corporation for such year.

The allocations with respect to export trade income which constitutes foreign base company income under subparagraphs (A) and (B) shall be made under regulations prescribed by the Secretary or his delegate.

"'(2) OVERALL LIMITATION.—The reduction under paragraph (1) for any taxable year shall not exceed an amount which bears the same ratio to the increase in the investments in export trade assets (as defined in section 971(c)) of such corporation for such year as the export trade income which constitutes foreign base company income of such corporation for such year bears to the entire export trade income of such corporation for such year.

"'(b) INCLUSION OF CERTAIN PREVIOUSLY EXCLUDED AMOUNTS.—Each United States shareholder of a controlled foreign corporation which for any prior taxable year was an export trade corporation shall include in his gross income under section 951(a)(1)(A)(ii), as an amount to which section 955 (relating to withdrawal of previously excluded subpart F income from qualified investment) applies, his pro rata share of the amount of decrease in the investments in export trade assets of such corporation for such year, but only to the extent that his pro rata share of such amount does not exceed an amount equal to—

"'(1) his pro rata share of the sum of (A) the amounts by which the subpart F income of such corporation was reduced for all prior taxable years under subsection (a), and (B) the amounts not included in subpart F income (determined without regard to this subpart) for all prior taxable years by reason of the application of section 972, reduced by

"'(2) the sum of the amounts which were included in his gross income under section 951(a)(1)(A)(ii) under the provisions of this subsection for all prior taxable years.

"'(c) INVESTMENTS IN EXPORT TRADE ASSETS.—

"'(1) AMOUNT OF INVESTMENTS.—For purposes of this section, the amount taken into account with respect to any export trade asset shall be its adjusted basis, reduced by any liability to which the asset is subject.

"'(2) INCREASE IN INVESTMENTS IN EXPORT TRADE ASSETS.—For purposes of subsection (a), the amount of increase in investments in export trade assets of any controlled foreign corporation for any taxable year is the amount by which—

"'(A) the amount of such investments at the close of the taxable year, exceeds

"'(B) the amount of such investments at the close of the preceding taxable year.

"'(3) DECREASE IN INVESTMENTS IN EXPORT TRADE ASSETS.—For purposes of subsection (b), the amount of decrease in investments in export trade assets of any controlled foreign corporation for any taxable year is the amount by which—

"'(A) the amount of such investments at the close of the preceding taxable year (reduced by an amount equal to the amount of net loss sustained during the taxable year with respect to export trade assets), exceeds

"'(B) the amount of such investments at the close of the taxable year.

"'(4) SPECIAL RULE.—A United States shareholder of an export trade corporation may, under regulations prescribed by the Secretary or his delegate, make the determinations under paragraphs (2) and (3) as of the close of the 75th day after the close of the years referred to in such paragraphs in lieu of on the last day of such years. An election under this paragraph made with respect to any taxable year shall apply to such year and to all succeeding taxable years unless the Secretary or his delegate consents to the revocation of such election.

"'Sec. 971. Definitions.

"'(a) EXPORT TRADE CORPORATION.—For purposes of this subpart, the term 'export trade corporation' means—

"'(1) IN GENERAL.—A controlled foreign corporation (as defined in section 957) which satisfies the following conditions:

"'(A) 90 percent or more of the gross income of such corporation for the 3-year period immediately preceding the close of the taxable year (or such part of such period subsequent to the effective date of this subpart during which the corporation was in existence) was derived from sources without the United States, and

"'(B) 75 percent or more of the gross income of such corporation for such period constituted gross income in respect of which such corporation derived export trade income.

"'(2) SPECIAL RULE.—If 50 percent or more of the gross income of a controlled foreign corporation in the period specified in subsection (a)(1)(A) is gross income in respect of which such corporation derived export trade income in respect of agricultural products grown in the United States, it may qualify as an export trade corporation although it does not meet the requirements of subsection (a)(1)(B).

"'(b) EXPORT TRADE INCOME.—For the purposes of this subpart, the term "export trade income" means net income from—

"'(1) the sale to an unrelated person for use, consumption, or disposition outside the United States of export property (as defined in subsection (e)), or from commissions, fees, compensation, or other income from the performance of commercial, industrial, financial, technical, scientific, managerial, engineering, architectural, skilled, or other services in respect of such sales or in respect of the installation or maintenance of such export property;

"'(2) commissions, fees, compensation, or other income from commercial, industrial, financial, technical, scientific, managerial, engineering, architectural, skilled, or other services performed in connection with the use by an unrelated person outside the United States of patents copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like property acquired or developed and owned by the manufacturer, producer, grower, or extractor of export property in respect of which the export trade corporation earns export trade income under paragraph (1);

"'(3) commissions, fees, rentals, or other compensation or income attributable to the use of export property by an unrelated person or attributable to the use of export property in the rendition of technical, scientific, or engineering services to an unrelated person; and

"'(4) interest from export trade assets described in subsection (c)(4).

For purposes of paragraph (3), if a controlled foreign corporation receives income from an unrelated person attributable to the use of export property in the rendition of services to such unrelated person together with income attributable to the rendition of other services to such unrelated person, including personal services, the amount of such aggregate income which shall be considered to be attributable to the use of the export property shall (if such amount cannot be established by reference to transactions between unrelated persons) be that part of such aggregate income which the cost of the export property consumed in the rendition of such services (including a reasonable allowance for depreciation) bears to the total costs and expenses attributable to such aggregate income.

"'(c) EXPORT TRADE ASSETS.—For purposes of this subpart, the term "export trade assets" means—

"'(1) working capital reasonably necessary for the production of export trade income,

"'(2) inventory of export property held for use, consumption, or disposition outside the United States,

"'(3) facilities located outside the United States for the storage, handling, transportation, packaging, or servicing of export property, and

"'(4) evidences of indebtedness executed by persons, other than related persons, in connection with payment for purchases of export property for use, consumption, or disposition outside the United States, or in connection with the payment for services described in subsections (b) (2) and (3).

"'(d) EXPORT PROMOTION EXPENSES.—For purposes of this subpart, the term "export promotion expenses" means the following expenses paid or incurred in the receipt or production of export trade income—

"'(1) a reasonable allowance for salaries or other compensation for personal services actually rendered for such purpose,

"'(2) rentals or other payments for the use of property actually used for such purpose,

"'(3) a reasonable allowance for the exhaustion, wear and tear, or obsolescence of property actually used for such purpose, and

"'(4) any other ordinary and necessary expenses of the corporation to the extent reasonably allocable to the receipt or production of export trade income.

No expense incurred within the United States shall be treated as an export promotion expense within the meaning of the preceding sentence, unless at least 90 percent of each category of expenses described in such sentence is incurred outside the United States.

"'(e) EXPORT PROPERTY.—For purposes of this subpart, the term "export property" means any property or any interest in property manufactured, produced, grown, or extracted in the United States.

"'(f) UNRELATED PERSON.—For purposes of this subpart, the term "unrelated person" means a person other than a related person as defined in section 954(d)(3).

"'Sec. 972. Consolidation of group of export trade corporations.

"'For purposes of this subpart and subpart F of this part, a United States shareholder of a controlled foreign corporation which is an export trade corporation may, under regulations prescribed by the Secretary or his delegate, treat as a single controlled foreign corporation—

"'(1) such controlled foreign corporation,

"'(2) all controlled foreign corporations which are export trade corporations and 80 percent or more of the total combined voting power of all classes of stock entitled to vote of which is owned by such controlled foreign corporation; and

"'(3) all controlled foreign corporations which are export trade corporations and 80 percent or more of the total combined voting power of all classes of stock entitled to vote of which is owned by controlled foreign corporations described in paragraph (2).'

"(b) TECHNICAL AND CLERICAL AMENDMENTS.—

"(1) Section 901 (relating to foreign tax credit) is amended by striking out 'section 902' and inserting in lieu thereof 'sections 902 and 960'.

"(2) Section 904(g) (as redesignated by section 10(a) of this Act) is amended to read as follows:

"'(g) CROSS REFERENCES.—

"'(1) For increase of applicable limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 960(b).

"'(2) For special rule relating to the application of the credit provided by section 901 in the case of affiliated groups which include Western Hemisphere trade corporations for years in which the limitation provided by subsection (a)(2) applies, see section 1503(d).'

"(3) The table of subparts for part III of subchapter N of chapter 1 is amended by adding at the end thereof the following:

"'Subpart F. Controlled foreign corporations.

"'Subpart G. Export trade corporations.'

"(4) Section 1016(a) (relating to adjustments to basis) is amended by adding after paragraph (19) (as added by section 2(f) of this Act) the following new pargaraph:

"'(20) to the extent provided in section 961 in the case of stock in controlled foreign corporations (or foreign corporations which were controlled foreign corporations) and of property by reason of which a person is considered as owning such stock.'

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years of foreign corporations beginning after December 31, 1962, and to taxable years of United States shareholders within which or with which such taxable years of such foreign corporations end."

On page 246, line 1, to change the section number from "14" to "13".

On page 246, line 13, after the word "of" where it occurs the first time, to strike out "after the date of the enactment of the Revenue Act of 1962" and insert "during a taxable year beginning after December 31, 1962".

On page 247, line 4, after the word "adjustments", to strike out "for taxable years beginning" and insert "attributable to periods"; in line 13, after the word "any" to strike out "taxable year" and insert "period", in line 15, after the word "such", to strike out "taxable year" and insert "period".

On page 251, line 18, after the word "may", to strike out "within such period after the date of the enactment of the Revenue Act of 1962" and insert "on or before the last day prescribed by law (including extensions thereof) for filing his return for his first taxable year beginning after December 31, 1962".

At the top of page 254, to insert:

"(e) COMPUTATION OF TAXABLE INCOME FOR PURPOSES OF LIMITATION ON PERCENTAGE DEPLETION DEDUCTION.—Section 613(a) (relating to percentage depletion) is amended by inserting after the second sentence thereof the following new sentence: 'For purposes of the preceding sentence, the allowable deductions taken into account with respect to expenses of mining in computing the taxable income from the property shall be decreased by an amount equal to so much of any gain which (1) is treated under section 1245 (relating to gain from disposition of certain depreciable property) as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231, and (2) is properly allocable to the property.'"

On page 254, at the beginning of line 15, to strike out "(e)" and insert "(f)"; on page 256, after line 23, to strike out:

"(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1961, and ending after the date of the enactment of this Act."

And, in lieu thereof, to insert:

"(g) EFFECTIVE DATES.—The amendments made by this section (other than the amendments made by subsection (c)) shall apply to taxable years beginning after December 31, 1962. The amendments made by subsection (c) shall apply to taxable years beginning after December 31, 1961, and ending after the date of the enactment of this Act."

On page 257, at the beginning of line 9, to change the section number from "15" to "14"; in line 15, after the word "section", where it appears the second time, to strike out "14" and insert "13"; in line 21, after the word "exchange", to insert "(or a distribution which, under section 302 or 331, is treated as an exchange of stock)"; on page 258, after line 14, to strike out:

"(B) excluding such earnings and profits which were taxed to such taxpayer under section 951 or under section 551."

And, in lieu thereof, to insert:

"(B) excluding such earnings and profits attributable to any amount previously included in the gross income of such taxpayer under section 951 (but only to the extent the inclusion of such amount did not result in an exclusion of any other amount from gross income under section 959)."

On page 259, line 14, after the word "corporation" to insert "which, for any taxable year beginning after December 31, 1962, is—".

In line 24, after the word "Act", to insert "as limited by paragraphs (2) through (10) (except paragraph (6)(C) and paragraphs (12) through (15) of section 3(c) of such Act)", and on page 260, line 6, after the word "section" to strike out "955" and insert "958".

On page 261, line 16, after the word "the" where it occurs the second time, to strike

out "accumulated earnings and profits of such company" and insert "earnings and profits of such company accumulated after December 31, 1962".

On page 262, line 10, after the word "Foreign", to strike out "Investment" and insert "Investment Companies"; after line 16, to insert:

"(g) NONAPPLICATION OF SECTION 367 IN CERTAIN CASES.—Section 367 shall not apply in respect of a foreign investment company described in paragraph (1) of subsection (b) which is a party to a reorganization in which all of its properties are acquired before January 1, 1964, by a domestic corporation which is a regulated investment company under section 851 for its first taxable year ending after the reorganization, but only if such foreign investment company made the election described in section 1247 with respect to its taxable years beginning after December 31, 1962."

On page 263, line 3, to change the letter "(g)" to "(h)".

On page 263, line 20, after the word "of" where it occurs the first time, to strike out "30" and insert "45"; in line 23, after the word "capital", to strike out "gains" and insert "gain", and on page 264, line 1, after the word "capital" to strike out "losses" and insert "loss of the taxable year".

On page 264, line 14, after the word "of" to strike out "capital gains over losses" and insert "the net long-term capital gains over the net short-term capital loss".

On page 265, line 10, after the word "of" to strike ou "capital gains over losses" and insert "the net long-term capital gains over the net short-term capital loss".

On page 266, line 9, after the word "person", to insert "(as defined in section 7701 (a) (30))".

At the top of page 267, to strike out:

"(d) ADJUSTMENTS.—Under regulations prescribed by the Secretary or his delegate, proper adjustment shall be made—

"(1) in the earnings and profits of the electing foreign investment company, and

"(2) the adjusted basis of stock of such company held by qualified shareholders,

to reflect the inclusion in gross income by such shareholders of undistributed capital gains."

And in lieu thereof, to insert:

"(d) TREATMENT OF DISTRIBUTED AND UNDISTRIBUTED CAPITAL GAINS BY A QUALIFIED SHAREHOLDER.—Every qualified shareholder of a foreign investment company for any taxable year of such company with respect to which an election pursuant to subsection (a) is in effect shall include, in computing his long-term capital gains—

"(1) for his taxable year in which received, his pro rata share of the distributed portion of the excess of the net long-term capital gain over the net short-term capital loss for such taxable year of such company, and

"(2) for his taxable year in which or with which the taxable year of such company ends, his pro rata share of the undistributed portion of the excess of the net long-term capital gain over the net short-term capital loss for such taxable year of such company.

"(e) ADJUSTMENTS.—Under regulations prescribed by the Secretary or his delegate, proper adjustment shall be made—

"(1) in the earnings and profits of the electing foreign investment company and a qualified shareholder's ratable share thereof, and

"(2) in the adjusted basis of stock of such company held by such shareholder,

to reflect such shareholder's inclusion in gross income of undistributed capital gains.

"(f) ELECTION BY FOREIGN INVESTMENT COMPANY WITH RESPECT TO FOREIGN TAX CREDIT.—A foreign investment company with respect to which an election pursuant to subsection (a) is in effect and more than 50 percent of the value (as defined in section 851(c)(4)) of whose total assets at the close of the taxable year consists of stock or securities in foreign corporations may, for such taxable year, elect the application of this subsection with respect to income, war profits, and excess profits taxes described in section 901(b)(1) which are paid by the foreign investment company during such taxable year to foreign countries and possessions of the United States. If such election is made—

"(1) the foreign investment company—

"(A) shall compute its taxable income, for purposes of subsection (a)(1)(A), without any deductions for income, war profits, or excess profits taxes paid to foreign countries or possessions of the United States, and

"(B) shall treat the amount of such taxes, for purposes of subsection (a)(1)(A), as distributed to its shareholders;

"(2) each qualified shareholder of such foreign investment company—

"(A) shall include in gross income and treat as paid by him his proportionate share of such taxes, and

"(B) shall treat, for purposes of applying subpart A of part III of subchapter N, his proportionate share of such taxes as having been paid to the country in which the foreign investment company is incorporated, and

"(C) shall treat as gross income from sources within the country in which the foreign investment company is incorporated, for purposes of applying subpart A of part III of subchapter N, the sum of his proportionate share of such taxes and any dividend paid to him by such foreign investment company.

"(g) NOTICE TO SHAREHOLDERS.—The amounts to be treated by qualified shareholders, for purposes of subsection (f)(2), as their proportionate share of the taxes described in subsection (f)(1)(A) paid by a foreign investment company shall not exceed the amounts so designated by the foreign investment company in a written notice mailed to its shareholders not later than 45 days after the close of its taxable year.

"(h) MANNER OF MAKING ELECTION AND NOTIFYING SHAREHOLDERS.—The election provided in subsection (f) and the notice to shareholders required by subsection (g) shall be made in such manner as the Secretary or his delegate may prescribe by regulations."

On page 270, at the beginning of line 13, to change the letter from "(e)" to "(i)".

On page 271, in the language following line 2, after the word "company" to insert the word "stock".

On page 271, line 21, after the word "of" where it occurs the first time, to strike out "paragraphs (1) and (2)" and insert "paragraph (1)".

On page 274, at the beginning of line 3, to change the section number from "16" to "15"; in line 11, after the word "section", where it appears the first time, to strike out "15" and insert "14"; after line 11, to strike out:

"SEC. 1248. GAIN FROM CERTAIN SALES OR EXCHANGES OF STOCK IN CERTAIN FOREIGN CORPORATIONS.

"(a) REDEMPTIONS AND LIQUIDATIONS.—If a foreign corporation redeems its stock in an exchange to which section 302(a) applies, or if a foreign corporation cancels its stock in a complete or partial liquidation in an exchange to which section 331 applies, then the gain of a United States person (as defined in section 7701(a)(30)) from the exchange of such stock shall be included in the gross income of such person as a dividend, to the extent of such person's proportionate share of the earnings and profits of the foreign corporation accumulated after February 28, 1913.

"(b) SALES AND OTHER EXCHANGES.—If a United States person (as defined in section 7701(a)(30)) sells or exchanges stock in a foreign corporation, then the gain recognized on the sale or exchange of such stock shall be considered as gain from the sale or exchange of property which is not a capital asset, to the extent of such person's proportionate share of the earnings and profits of the foreign corporation accumulated during the period the stock sold or exchanged was held by such person.

"(c) LIMITATIONS.—

"(1) CONTROLLED FOREIGN CORPORATIONS.—Subsections (a) and (b) shall apply only if the foreign corporation the stock of which is sold or exchanged (A) is a controlled foreign corporation (as defined in section 954) at the time of the sale or exchange, or (B) was such a controlled foreign corporation at any time during the 5-year period ending on the date of the sale or exchange.

"(2) 10 PERCENT OWNERSHIP.—Subsections (a) and (b) shall apply only to a United States person who can be considered, by applying the rules of constructive ownership of section 955(b), as being the owner, directly or indirectly, of 10 percent or more of the total combined voting power of all classes of stock entitled to vote of the foreign corporation at the time of the sale or exchange, or at any time during the 5-year period ending on the date of the sale or exchange.

"(3) ELIMINATION FROM EARNING AND PROFITS OF AMOUNTS INCLUDED IN GROSS INCOME UNDER SECTION 951.—In determining the amount to be considered a dividend under subsection (a), or as gain from the sale or exchange of property which is not a capital asset under subsection (b), the United States person's proportionate share of earnings and profits of the foreign corporation shall be reduced by the amount previously included in the gross income of such person under section 951, with respect to the stock sold or exchanged, but only to the extent such amount did not result in an exclusion from gross income under section 956.

"(4) REDEMPTIONS TO PAY DEATH TAXES.—Subsections (a) and (b) shall not apply to distributions to which section 303 (relating to distributions in redemption of stock to pay death taxes) applies.

"(5) ADDITIONAL CONSIDERATION IN CERTAIN REORGANIZATIONS.—Subsection (b) shall not apply to gain recognized on exchanges to which section 356 (relating to receipt of additional consideration in certain reorganizations) applies.

"(6) TREATMENT OF AMOUNTS WHICH ARE ORDINARY INCOME, ETC., UNDER OTHER PROVISIONS.—Subsections (a) and (b) shall not apply with respect to any amount to the extent that such amount is, under any other provision of this title, treated as—

"(A) a dividend,

"(B) gain from the sale of an asset which is not a capital asset, or

"(C) gain from the sale of an asset held for not more than 6 months.

"(d) TAXPAYER TO ESTABLISH EARNINGS AND PROFITS.—Unless the taxpayer establishes the amount of the earnings and profits of the foreign corporation to be taken into account under subsections (a) and (b), all gain from the sale or exchange shall be considered a dividend under subsection (a), or as gain from the sale or exchange of property which is not a capital asset under subsection (b), whichever applies."

And, in lieu thereof, to insert:

"SEC. 1248. GAIN FROM CERTAIN SALES OR EXCHANGES OF STOCK IN CERTAIN FOREIGN CORPORATIONS.

"(a) GENERAL RULE.—If—

"(1) a United States person sells or exchanges stock in a foreign corporation, or if a United States person receives a distribution from a foreign corporation which, under section 302 or 331, is treated as an exchange of stock, and

"(2) such person owns, within the meaning of section 958(a), or is considered as

owning by applying the rules of ownership of section 958(b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation at any time during the 5-year period ending on the date of the sale or exchange when such foreign corporation was a controlled foreign corporation (as defined in section 957),

then the gain recognized on the sale or exchange of such stock shall be included in the gross income of such person as a dividend, to the extent of the earnings and profits of the foreign corporation attributable (under regulations prescribed by the Secretary or his delegate) to such stock which were accumulated in taxable years of such foreign corporation beginning after December 31, 1962, and during the period or periods the stock sold or exchanged was held by such person while such foreign corporation was a controlled foreign corporation.

"(b) LIMITATION ON TAX APPLICABLE TO INDIVIDUALS.—

"(1) IN GENERAL.—In the case of an individual, the tax attributable to an amount included in gross income as a dividend under subsection (a) shall not be greater than the tax described in paragraph (2) or in paragraph (3), whichever is lesser.

"(2) DOMESTIC CORPORATION LIMITATION.—If the stock sold or exchanged is a capital asset (within the meaning of section 1221) and has been held for more than 6 months, a tax equal to the sum of—

"(A) a pro rata share of the excess of—

"(i) the taxes that would have been paid by the foreign corporation with respect to its income had it been taxed under this chapter as a domestic corporation (but without allowance for deduction of, or credit for, taxes described in clause (ii)), for the period or periods the stock sold or exchanged was held by the United States person in taxable years beginning after December 31, 1962, while the foreign corporation was a controlled foreign corporation, adjusted for distributions and amounts previously included in gross income of a United States shareholder under section 951, over

"(ii) the income, war profits, or excess profits taxes paid by the foreign corporation with respect to such income; and

"(B) an amount equal to a tax that would result by including in gross income the amount described in subsection (a), reduced by the excess of the taxes described in paragraph (A)(i) over the taxes described in paragraph (A)(ii), as gain from the sale or exchange of a capital asset held for more than 6 months.

"(3) ANNUAL DISTRIBUTION LIMITATION.—A tax equal to the aggregate of the taxes which would have been attributable to the amount described in subsection (a) had it been included in the gross income of the individual as a dividend in the year or years in which earned by the foreign corporation, adjusted for losses and distributions as provided by regulations prescribed by the Secretary or his delegate.

"(c) SPECIAL RULES.—For purposes of this section, the following amounts shall be excluded, with respect to any United States person, from the earnings and profits of a foreign corporation:

"(1) AMOUNTS INCLUDED IN GROSS INCOME UNDER SECTION 951.—Earnings and profits of the foreign corporation attributable to any amount previously included in the gross income of such person under section 951, with respect to the stock sold or exchanged, but only to the extend the inclusion of such amount did not result in an exclusion of an amount from gross income under section 959.

"(2) GAIN REALIZED FROM THE SALE OR EXCHANGE OF PROPERTY IN PURSUANCE OF A PLAN OF COMPLETE LIQUIDATION.—If a foreign corporation adopts a plan of complete liquidation in a taxable year of a foreign corporation beginning after December 31, 1962, and if section 337(a) would apply if such foreign corporation were a domestic corporation, earnings and profits of the foreign corporation attributable (under regulations prescribed by the Secretary or his delegate) to any net gain from the sale or exchange of property.

"(3) LESS DEVELOPED COUNTRY CORPORATIONS.—Earnings and profits accumulated by a foreign corporation while it was a less developed country corporation (as defined in section 955(c)), if—

"(A) the foreign corporation qualified as a less developed country corporation for all taxable years of such corporation beginning after December 31, 1962, for which the country under the laws of which the foreign corporation was created or organized (or, in the case of a less developed country corporation within the meaning of section 955(c)(2), for which the country under the laws of which the aircraft or vessels described therein were registered) was designated a less developed country under section 955(c)(3); and

"(B) the stock sold or exchanged was owned for a continuous period of at least 10 years, ending with the date of the sale or exchange, by the United States person who sold or exchanged such stock.

In the case of stock sold or exchanged by a corporation, if United States persons who are individuals, estates, or trusts (each of whom owned within the meaning of section 958(a), or were considered as owning by applying the rules of ownership of section 958 (b), 10 percent or more of the total combined voting power of all classes of stock entitled to vote of such corporation) owned, or were considered as owning, at any time during the 10-year period referred to in subparagraph (B) more than 50 percent of the total combined voting power of all classes of stock entitled to vote of such corporation, this paragraph shall apply only if such United States persons owned, or were considered as owning, at all times during the remainder of such 10-year period more than 50 percent of the total combined voting power of all classes of stock entitled to vote of such corporation. For purposes of this paragraph, stock owned by a United States person who is an individual, estate, or trust which was acquired by reason of the death of the predecessor in interest of such United States person shall be considered as owned by such United States person during the period such stock was owned by such predecessor in interest, and during the period such stock was owned by any other predecessor in interest if between such United States person and such other predecessor in interest there was no transfer other than by reason of the death of an individual.

"(4) UNITED STATES INCOME.—Any item includible in gross income of the foreign corporation under this chapter as income derived from sources within the United States of a foreign corporation engaged in trade or business in the United States.

"(5) AMOUNTS INCLUDED IN GROSS INCOME UNDER SECTION 1247.—If the United States person whose stock is sold or exchanged was a qualified shareholder (as defined in section 1247(c)) of a foreign corporation which was a foreign investment company (as described in section 1246(b)(1), the earnings and profits of the foreign corporation for taxable years in which such person was a qualified shareholder.

"(d) EXCEPTIONS.—This section shall not apply to—

"(1) distributions to which section 303 (relating to distributions in redemption of stock to pay death taxes) applies;

"(2) gain realized on exchanges to which section 356 (relating to receipt of additional consideration in certain reorganizations) applies; or

"(3) any amount to the extent that such amount is, under any other provision of this title, treated as—

"(A) a dividend,

"(B) gain from the sale of an asset which is not a capital asset, or

"(C) gain from the sale of an asset held for not more than 6 months.

"(e) TAXPAYER TO ESTABILSH EARNINGS AND PROFITS.—Unless the taxpayer establishes the amount of the earnings and profits of the foreign corporation to be taken into account under subsection (a), all gain from the sale or exchange shall be considered a dividend under subsection (a), and unless the taxpayer establishes the amount of foreign taxes to be taken into account under subsection (b)(2), the limitation of such subsection shall not apply."

On page 284, line 21, after the word "after", to strike out "the date of the enactment of this Act" and insert "December 31, 1962".

At the top of page 285, to insert a new section, as follows:

"SEC. 16. SALES AND EXCHANGES OF PATENTS, ETC., TO CERTAIN FOREIGN CORPORATIONS.

"(a) TREATMENT OF GAIN AS ORDINARY INCOME.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding after section 1248 (as added by section 15 of this Act) the following new section:

"'SEC. 1249. GAIN FROM CERTAIN SALES OR EXCHANGES OF PATENTS, ETC., TO FOREIGN CORPORATIONS.

"'(a) GENERAL RULE.—Except as provided in subsection (c), gain from the sale or exchange after December 31, 1962, of a patent, an invention, model or design (whether or not patented), a copyright, a secret formula or process, or any other similar property right to any foreign corporation by any United States person (as defined in section 7701(a)(30)) which controls such foreign corporation shall, if such gain would (but for the provisions of this subsection) be gain from the sale or exchange of a capital asset or of property described in section 1231, be considered as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231.

"'(b) CONTROL.—For purposes of subsection (a), control means, with respect to any foreign corporation, the ownership, directly or indirectly, of stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote. For purposes of this subsection, the rules for determining ownership of stock prescribed by section 958 shall apply.

"'(c) EXCEPTION.—This section shall not apply to gain realized from the sale or exchange for stock or contribution to capital of property described in subsection (a) where it is established to the satisfaction of the Secretary or his delegate that the principal purpose of the transfer is to enable the foreign corporation to use such property in its own manufacturing operations.'

"(b) CLERICAL AMENDMENT.—The table of sections for such part IV is amended by adding at the end thereof the following:

"Sec. 1249. Gain from certain sales or exchanges of patents, etc., for foreign corporations."

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1962."

In section 17, on page 290, at the beginning of line 10, to insert "For purposes of subsections (b)(1) and (c)(2)(A), a qualified check issued during the payment period shall be treated as an amount paid in money during such period if endorsed and cashed on or before the 90th day after the close of such period."; on page 297 after line 7, to insert "Such term does not include any

written notice of allocation which is paid as part of a patronage dividend or as part of a payment described in section 1382(c)(2)(A), unless 20 percent or more of the amount of such patronage dividend, or such payment, is paid in money or by qualified check."; in line 18, after the word "writing", to strike out "or"; on page 298, line 2, after the word "such", to strike out "bylaw." and insert "bylaw, or

"(C) if neither subparagraph (A) nor (B) applies, endorsing and cashing a qualified check, paid as a part of the patronage dividend or payment of which such written notice of allocation is also a part, on or before the 90th day after the close of the payment period for the taxable year of the organization for which such patronage dividend or payment is paid."

At the top of page 300, to insert :

"(4) QUALIFIED CHECK.—For purposes of this subchapter, the term 'qualified check' means only a check (or other instrument which is redeemable in money) which is paid as a part of a patronage dividend, or as a part of a payment described in section 1382(c)(2)(A), to a distributee who has not given consent as provided in paragraph (2)(A) or (B) with respect to such patronage dividend or payment, and on which there is clearly imprinted a statement that the endorsement and cashing of the check (or other instrument) constitutes the consent of the payee to include in his gross income, as provided in the Federal income tax laws, the stated dollar amount of the written notice of allocation which is a part of the patronage dividend or payment of which such qualified check is also a part. Such term does not include any check (or other instrument) which is paid as part of a patronage dividend or payment which does not include a written notice of allocation (other than a written notice of allocation described in paragraph (1)(A))."

On page 300, line 24, after "(c)", to insert "or a qualified check which is not cashed on or before the 90th day after the close of the payment period for the taxable year for which the distribution of which it is a part is paid"; on page 301, after line 18, to strike out:

"(3) Section 6044 (relating to returns regarding patronage dividends) is amended to read as follows:

"'SEC. 6044. RETURNS REGARDING PATRONAGE DIVIDENDS.

"'Any organization to which part I of subchapter T of chapter 1 (relating to tax treatment of cooperatives) applies which pays amounts described in section 1382(b), or (in the case of an organization described in section 1381(a)(1)) amounts described in section 1382(c)(2), shall, when required by regulations of the Secretary or his delegate, make a return showing

"'(1) the name and address of each patron to whom it has made such payments during the calendar year; and

"'(2) the amount of such payments to each patron.'"

On page 302, at the beginning of line 8, to strike out "(4)" and insert "(3)"; on page 303, at the beginning of line 4, to strike out "(5)" and insert "(4)"; at the beginning of line 6, to strike out "(6)" and insert "(5)".

In section 20, on page 373, line 5, after the word "and", to strike out "957" and insert "960"; at the beginning of line 21, to strike out "subsection" and insert "paragraph"; after line 24, to insert:

"(2) LIMITATION.—The amount of the reduction under paragraph (1) for each failure to furnish information with respect to a foreign corporation required under subsection (a)(1) shall not exceed whichever of the following amounts is the greater:

"(A) $10,000, or

"(B) the income of the foreign corporation for its annual accounting period with respect to which the failure occurs."

On page 374, at the beginning of line 9, to strike out "(2)" and insert "(3)"; in line 22, after the word "section", to strike out "956" and insert "960"; on page 376, line 2, after the word "apply", to strike out "except that clause (i) of section 318(a)(2)(C) shall be applied without regard to the 50 percent limitation contained in such section." and insert "except that—

"(A) the second sentence of subparagraphs (A) and (B), and clause (ii) of subparagraph (C), of section 318(a)(2) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person, and

"(B) in applying clause (i) of subparagraph (C) of section 318(a)(2), the phrase '10 percent' shall be substituted for the phrase '50 percent' used in subparagraph (C)."

On page 377, line 10, after the word "is", to strike out "an officer or director of a foreign corporation on January 1, 1963" and insert "on January 1, 1963, an officer or director of a foreign corporation, 5 percent or more in value of the stock of which is owned by a United States person,"; on page 378, line 10, after the word "laws", to insert a comma and "except that in the case of persons described only in subsection (a)(1) the information required shall be limited to the names and addresses of persons described in subsection (a)(2)"; in line 15, after "(a)", to strike out "(2) and (3)"; on page 379, after line 5, to insert:

"(e) LIMITATION.—No information shall be required to be furnished under this section with respect to any foreign corporation unless such information was required to be furnished under regulations which, on the date on which the United States citizen, resident, or person becomes liable to file a return required under subsection (a)—

"(1) if such liability arises on or after January 1, 1963, and before March 1, 1963, have been in effect since January 1, 1963 (but only if such regulations were prescribed before December 1, 1962), or

"(2) if such liability arises on or after March 1, 1963, have been in effect for at least 90 days."

On page 379, at the beginning of line 18, to strike out "(e)" and insert "(f)"; in the second line of the material after line 18, after the word "sections", to strike out "6678" and insert "6679"; on page 380, line 3, after the word "adding", to strike out "at the end thereof" and insert "after section 6678 (as added by section 19(e) of this Act)"; at the beginning of line 6, to change the section number from "6678" to "6679"; on page 381, at the beginning of the line after line 9, to change the section number from "6678" to "6679".

On page 391, at the beginning of line 22 to change the section number from "21" to "27"; after line 22, to strike out:

"Section 7852(d) of the Internal Revenue Code of 1954 (relating to treaty obligations) shall not apply in respect of any amendment made by this Act."

And, in lieu thereof, to insert:

"No provision of this Act shall apply in any case where its application would be contrary to any treaty obligation of the United States."

Mr. KERR. Mr. President, yesterday I occupied the floor for about 4 hours, some considerable part of the time devoted to answering questions from the distinguished Senator from Wisconsin. Later in the day, as I went by his chair, he asked me if I would again yield. I explained to him that some degree of physical fatigue had set in and I did not want to again take the floor, but that I would be happy to do so today. I now have the floor, Mr. President, and I am happy to yield to the Senator from Wisconsin for a question.

Mr. PROXMIRE. I thank the Senator for yielding.

I want to ask the Senator from Oklahoma how he can maintain that we need investment credit for the purpose of increasing the modernization of American equipment and machinery in view of the fact that the McGraw-Hill survey shows we are going to have this year the biggest investment in plant and equipment in the history of our country. They expect, on the basis of their survey, which has been very accurate in the past, for it to be even bigger in 1963, 1964, and 1965. Furthermore, they say that 70 percent of this investment is going to be in modernization. So without the investment credit, and even without the new depreciation provisions, we are going to have the greatest improvement in the modernization of our plant we have ever had in our history, and the expectation is that plant is going to be automated even more rapidly in the next 3 or 4 years.

Since the most authoritative evidence is that industry is going to break all records in modernization, how can the Senator from Oklahoma maintain that we need investment credit for the purpose of increasing the modernization of American equipment and machinery?

Mr. KERR. Mr. President, the position of the Senator from Oklahoma is this: America has come of age in a new world, a world we have helped create, of which we are a part, and of which, with reference to the free nations of the world, we are the leaders. We are confronted with the reality of a revived, resurgent, vital, dynamic, expanding industrial workshop in Western Europe, which, as of today, in countries with a population equal to our own, is united in an economic union, which union is in the process of negotiating with the United Kingdom to become a part of it. The Senator from Oklahoma is hopeful that those negotiations will be successful, and that the United Kingdom will become a part of the Common Market. The Senator from Oklahoma entertains this wish because he believes it will be to the advantage of the United States of America for that to be accomplished.

The Senator from Oklahoma believes that this economic union in Western Europe, especially if and when the United Kingdom becomes a part of it, will be a third world power, with an industrial, population, and resource strength superior to that of Russia and with an industrial potential superior to that of both Russia and China. The Senator from Oklahoma believes it will be a great barrier—and I believe one of the two invincible barriers—against Communist aggression and world domination either by Communist Russia or Communist China or both.

Yet, great as are those advantages, the competitive position between the United States of America and that great industrial workshop in Western Europe will be something which will be fought out over a period of years, during which the fiercest industrial competition which has ever taken place in this world will occur.

It is the hope of the Senator from Oklahoma that the United States will emerge, shall I say, triumphant in that great competitive and economic struggle. If it is to do so, the rate of growth we have had, the rate of growth we now have, and the rate of growth we foresee under the present environment of our industrial complex, in the opinion of the Senator from Oklahoma, will not be adequate in the elements of encouragement and stimulant which it contains to permit and to bring about that desired growth in our own industrial workshop which will enable us to hold our own in that tremendously fierce and enduring competition.

The Senator from Oklahoma does not believe that we should wait until that competition has reached the point that it is evident that the great industrial workshop emerging in Europe, the overall rate of growth of which is at this time much higher than our own, to take those actions which will insure the opportunity for the certainty that America's industrial growth will be maintained at a rate that will never permit our position industrially and competitively, both for the domestic market within this country and for the world market in the channels of trade and commerce of the free world, to be jeopardized.

Therefore, the Senator from Oklahoma thinks that a stitch in time will save nine, that action in time will insure the achievement of this objective, for which I know the Senator from Wisconsin devoutly hopes.

If there is disagreement between the Senator from Wisconsin and the Senator from Oklahoma, it is not as to the objective to be achieved but is as to whether this provision is either necessary or helfpul to the achieving of that objective. The Senator from Oklahoma thinks it is. The Senator from Wisconsin thinks it is not. I have full respect for the Senator's position and for his ability to make it clear. I simply do not agree with it.

Mr. PROXMIRE. Is it not true that with the changes in the depreciation schedule which the Treasury Department has now provided, any firm can depreciate any piece of equipment or machinery as rapidly as it wishes, and in the future for the first time will have an opportunity to write it off against taxes; provided only that it can show it actually does depreciate and actually does use up the equipment that rapidly? So although the new depreciation schedule which has gone into effect has not had an effect yet at stimulating the American economy, it would seem to be just about as far as one could go without providing an extraordinary, excessive advantage for manufacturers.

Mr. KERR. The first question the Senator asked the Senator from Oklahoma would answer in the affirmative. Since the Senator then qualified his question, the Senator from Oklahoma will have to answer in the negative.

The fact about the business is, Mr. President, even giving effect to the new depreciation guidelines, the representative tax life, with reference to a comparison between the United States and the nations of Europe, would be roughly as follows: in Belgium 8 years, in Canada 10 years, in France 10 years, in West Germany 10 years, in Italy 10 years, in the Netherlands 10 years, in Sweden 5 years, in the United States 12 years, in Japan 16 years, and in the United Kingdom 27 years.

Giving effect to the new guidelines in the last order, to which the Senator has referred, the depreciation allowance in the first year would be as follows: in Belgium 22½ percent, in Canada 30 percent, in France 25 percent, in West Germany 20 percent, in Italy 25 percent, in Japan 43.4 percent, in The Netherlands 26.2 percent, in Sweden 30 percent, and in the United Kingdom 39 percent.

The average for all those foreign countries is a 29-percent depreciation deduction, initial investment allowance, the first year. That is an average of 29 percent. In the United States, after giving effect to the new depreciation guidelines, the percentage is 16.7 percent.

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

Mr. KERR. That compares to the overall average which I have just stated, as to which I read the details, of 29 percent in the nine foreign countries which are competitive to us.

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

Mr. PROXMIRE. Mr. President——

Mr. KERR. I should be delighted to yield to my friend from Illinois, but the Senator from Wisconsin, after the Senator from Oklahoma talked to him yesterday and explained to him he was not exhausted, but tired, and would be glad to yield to him this morning, took the floor of the Senate and expressed regret over the fact that the Senator from Oklahoma had seen fit to leave the Chamber and not permit himself to be interrogated by the Senator from Wisconsin.

Mr. DOUGLAS. I understand and withdraw my request.

Mr. KERR. I say to my friend from Illinois, after I have fully satisfied the Senator from Wisconsin I shall have no higher pleasure than to yield to the Senator from Illinois for such questions as he wishes to ask.

Mr. DOUGLAS. It is always a great pleasure to engage in colloquy with the Senator from Oklahoma. I think his implicit reproof to me is correct. I shall not try to inject myself in this discussion.

Mr. PROXMIRE. Mr. President, I wish to make it clear that the Senator from Wisconsin merely stated exactly what happened. The Senator from Oklahoma said he preferred to be interrogated this morning. I put that in the RECORD. I thought that was a perfectly reasonable request. I said I would regret it very much if there were not an opportunity to interrogate the Senator from Oklahoma, who is in charge of the consideration of the bill, before the Senate takes action.

Mr. KERR. I would not miss it for the world.

Mr. PROXMIRE. So the Senator from Oklahoma and the Senator from Wisconsin agree on this.

Now, to get back to the Senator's answer, I merely wish to point out to the Senator from Oklahoma that whereas there may be in the difference in depreciation opportunities to which the Senator adverts, it is very interesting to note that the countries which can charge off the largest amount of their equipment in the first year—and the United Kingdom is a conspicuous example—have been growing more slowly than others.

The investment credit has not helped them. They have been doing worse not better than countries that have no investment credit. Sweden can charge off the life of assets in an average of 5 years; Belgium 8 years. Those countries have been growing more slowly than has the United States, not more rapidly. So the empirical evidence shows——

Mr. KERR. With reference to Sweden, we know that it is a Socialist country in which, so far as we know, all or much of the industry is owned by the Government. It is a Socialist government. The Senator from Oklahoma believes that any Socialist government will slow down the industrial development within it. That is inherent in socialism. This country, with even more shackles around it than it has now, will outgrow any Socialist country in the world.

The United Kingdom has had a slower rate of growth. I cannot imagine more trouble than the United Kingdom has had economically in the past 15 years. As I read my history, late in the 19th century there was a great celebration in England. It was the 50th anniversary of the great Queen. People came from around the world and joined in a tribute to the great Queen and to the mighty empire over which she reigned.

England was the predominant military power in the world. It was said that the sun never set upon her dominions and her possessions. England was the predominant financial power in the world. England was the predominant industrial power in the world. Her mighty fleet which ruled the waves made it possible for countless thousands of boats and ships to ply the seven seas, bringing from her colonies around the world raw materials which were fed into the maw of her industrial machines, out of which poured the mighty production which gave her a predominant position industrially and financially, and supported her in achieving her predominant military position in the world.

While that celebration was underway, a citizen of England was a resident in our country. I know he must have been thrilled by the great celebration going on in his native land and by the tribute being paid to the great queen upon her 50th anniversary. But he looked down the years and saw that the day would come when his mother country would be stripped of her colonies and when the foundation for the mighty position she occupied would no longer exist. Rudyard Kipling then penned the immortal words of the "Recessional":

> God of our fathers, known of old,
> Lord of our far-flung battle line
> Beneath whose awful hand we hold
> Dominion over palm and pine,
> Lord God of Hosts, be with us yet,
> Lest we forget, lest we forget!

He said:

The tumult and the shouting dies,
The captains and the kings depart,
Still stands Thine ancient sacrifice,
An humble and a contrite heart.
Lord God of Hosts, be with us yet,
Lest we forget—lest we forget!

Today I honor England, equal with the honor I pay any nation on this earth, other than the proud and mighty Nation under the western stars, beneath the flag of Old Glory.

But England no longer rules the waves. Her financial institutions are no longer the dominant power in finance. Her industrial workshop no longer causes the channels of trade and commerce to tremble or stand in awe and respect. The star that was then in its zenith above the United Kingdom and shone with such brilliance upon the magnificent celebration of the 50th anniversary of the great Queen has long since left its zenith and started its inexorable descent down the western horizon.

It is my hope that it will never set, because she has a proud and glorious history and record. But her colonies have been stripped from her. She has had the fight of her life to survive. Be it said to her credit, her courage has never failed or dimmed. The ingenuity and resourcefulness of her people have never been impaired.

But she is competing today with our Nation. Today the star of America is in the zenith, and our light shines far above the seven seas and the channels of trade and commerce around the world. It is well, because we now bear the burden of world leadership of the free world. Ours is the dominant industrial workshop on the earth. We are the center of financial strength and power in our world. We are the proud possessors of mighty fleets in the air, on the ocean, and under the waters of the ocean that make the world livable here and in other free areas.

How can the distinguished Senator from Wisconsin seek to impose upon us shackles that would hold our progress to the rate of advance yet to be made by the brave and gallant nation yonder on that island, after the sources of her wealth, her power, and her strength have been stripped from her? There is no basis of comparison, nor could we possibly endure the thought of shackling ourselves to a position in which we could march forward at no greater pace of progress than England is able to maintain.

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

Mr. KERR. I yield. I was about to describe conditions in both Belgium and Holland.

Mr. PROXMIRE. Mr. President, I do not like to puncture the Senator's magnificent oratorical balloon——

Mr. KERR. Have at it.

Mr. PROXMIRE. I will have at it.

Mr. KERR. I ask no quarter and give none.

Mr. PROXMIRE. The Senator has made an attack on the investment credit in trying to defend it, that demolishes his own position. The fact is that England was rising. England was reaching the zenith before she had the investment credit and before she had the advantages of quick depreciation. Since she adopted that method of subsidy—this particular method of tax advantage for manufacturers—she has gone down, as the Senator has so eloquently described. Whenever we raise this point—whether it be in relation to Belgium, the Netherlands, England, or Sweden—there is always an alibi. It is said that this country or that country is a Socialist country, or that it has lost its colonies.

They have had one kind of problem or another. The fact remains that they adopted investment credit, and they have not grown as rapidly as we have.

Mr. KERR. The decline started before they adopted the measure. They adopted the measure in an effort to hold the decline as they started up the hill with some degree of success. The Senator's observations on history are not supported by the record. However, I yield for a question, not a speech.

Mr. PROXMIRE. Is it the Senator's position that although we are winning the trade competition, although we have a new depreciation schedule, we must follow the same kind of tax privilege and tax advantage that our world competitors do, no matter how unjustifiable and discriminatory they may be? I ask the Senator if this is not the same old story that we have encountered in our experience in our own States, the argument that we must adopt whatever regressive form of taxation a nearby State has adopted if we are to permit our manufacturers, in Oklahoma or in Wisconsin, to compete successfully? Is it not the same old discredited argument that we have to have a tax system, no matter how regressive it may be, in order to put our industry on the same basis? Finally, I wish to ask the Senator——

Mr. KERR. I wish the Senator would ask these questions one at a time. The Senator has already asked three. I will try to answer two of them. First, as of now, certainly, we are not winning the trade war. The Senator has been quoting figures on the floor about our advantage with reference to imports and exports, totally ignoring many of the elements of the picture relating to export dollars in contrast to the dollars we import.

The Senator has used various figures about how much more we sell than we buy. He took offense yesterday because I did not accept the figures of the Department of Commerce in this connection. About 2 years ago the distinguished chairman of our committee became suspicious of the figures that were being given to the committee with reference to how much this country was exporting and how much it was importing. Witnesses came before our committee and told us:

The figures of the Department of Commerce show that we have a $4 billion favorable trade balance.

The distinguished senior Senator from Virginia said:

Let us analyze these statements. How much of this supposedly $4 billion trade balance is due to the agricultural and other products we export after we give them away?

Mr. PROXMIRE. Mr. President——

Mr. KERR. Let me answer the Senator's question. He can stand up as long as I can.

Mr. PROXMIRE. The Senator has asked a rhetorical question. I wish to answer it.

Mr. KERR. The Senator from Virginia asked that question of the witness. The witness said, "I do not know."

The Senator from Virginia said, "Go and get the answer."

The witness came back and disclosed that about $2 billion to $2½ billion of that supposedly advantageous or favorable trade balance was by reason of what we had given away.

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

Mr. KERR. I yield.

Mr. ROBERTSON. On grains?

Mr. KERR. Yes.

Mr. ROBERTSON. Six billion nine hundred million dollars, for soft currency, which is equal to a giveaway.

Mr. KERR. Yes. That has been included in the figures of the Commerce Department, representing to the American people what our favorable balance was in connection with trade and commerce. Because of the fight made by the Finance Committee, under the able leadership of its distinguished chairman, the Commerce Department began using a different basis for the figures that it publishes.

However, even as of now, when they issue their monthly figures on what our exports and imports are, they include in the exports what we give away.

Finally, when they get down to the things that go out for dollars, as contrasted with the imports that come in and are paid for in dollars, they give the figures in their quarterly reports. But even in those reports they include our agricultural exports, which are sold at the world market. Cotton, for example, is sold at 8½ cents a pound less than American textile mills pay for it. Feed grains are sold at a greatly reduced price.

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

Mr. KERR. I yield.

Mr. ROBERTSON. On wheat, our export subsidy is 65 cents a bushel.

Mr. KERR. On wheat, it is 65 cents a bushel. Yet the dollar we receive from the sale of agricultural products at giveaway prices are included in the Commerce Department's reports with reference to our trade balance, imports and exports. If we strip from that statement the billions of dollars of agricultural exports that we send out, for which we receive some dollars, but which are sold at from 25 percent to 35 percent below the domestic market, we find emerging an entirely different picture.

As of now, the Department of Commerce says we have a favorable trade balance, I believe, running at the rate of $2 billion for 1962. The Senator from Oklahoma has not had time to go beneath the surface, as the Senator from Virginia has so often done in asking questions at Finance Committee hearings, and as the distinguished junior Senator from Virginia [Mr. ROBERTSON] has indicated in connection with the prices that we get for these exports, even though

they pay us a part of their value in dollars.

Therefore, the Senator from Oklahoma does not regard as valid in this debate, and in determining the position of the American industrial workshop relative to that in Western Europe, the figures of the Department of Commerce. They are not an accurate presentation of the actual picture.

When we finally strip the issue down to what this country buys and sells, we see that what we buy we pay for at 100 cents on the dollar, and Senators will find that instead of having a rosy picture of a big balance in favor of our country, we have a sad picture, an anemic picture, one which can be corrected only by a vast increase in the efficiency in the economy of our industrial workshop and its productivity.

As I said yesterday, aside from whatever the relationship may be, if we continue to give away our products or sell them at 50 cents on the dollar, we can keep a certain number of dollars coming into this country. However, there are Senators who think the day will come when either by choice or necessity we shall abandon that process. In the meantime it is the hope of the Senator from Oklahoma that we will develop a situation which will enable us to survive and maintain the convertibility of the dollar which we now maintain, without being forced into international fiscal bankruptcy, as I related it yesterday with respect to the decline in our gold reserve and the increase of the claims against it.

With reference to the last question of the Senator from Wisconsin, about this being the same as the contest between the various States——

Mr. PROXMIRE. Before the Senator gets to that, does he wish to yield for one further question?

Mr. KERR. I am simply answering the Senator's questions one at a time. I will finish answering the last one.

Mr. PROXMIRE. The Senator just finished saying he had finished.

Mr. KERR. No; I said:

Now, with reference to the last question of the Senator.

Mr. PROXMIRE. That is correct. I simply wanted to ask a further question with respect to the question the Senator just answered, if he will permit. Does the Senator deny that the Department of Commerce shows that we have a surplus in trade of $4.8 billion in the first half of 1962?

Mr. KERR. Yes; I deny that it shows that.

Mr. PROXMIRE. I have the figures right here.

Mr. KERR. If the Senator will look at them, they show that we are going at that rate for the year.

Mr. PROXMIRE. That is correct.

Mr. KERR. That was not what the Senator asked.

Mr. PROXMIRE. Seasonally adjusted.

Mr. KERR. That was not in the Senator's question.

Mr. PROXMIRE. On an annual basis.

Mr. KERR. That was not in the Senator's question.

Mr. PROXMIRE. If we take out Government aid of exports, we take $2.6 billion from that balance.

Mr. KERR. No; we have an annual rate of that.

Mr. PROXMIRE. An annual rate of that.

Mr. KERR. The Senator ought to read what the rate is.

Mr. PROXMIRE. If we add in the services rendered surplus, of $1.7 billion; we have an annual favorable trade in the commercial area alone, leaving out the Government giveaway of $3.9 billion. If we subtract from that the $2.5 billion, which is all we have loaned abroad, capital long and short term from our private institutions, we have a surplus of $1.5 billion, even assuming that all we have loaned abroad has come back and has been spent here and has benefited our export business.

I submit that on this basis, in the first half of 1962, we are winning; we are doing a better job in trade than other nations throughout the world.

Mr. KERR. Surely; but in that annual rate of $1.5 billion is included $1.1 billion of agricultural products we are selling.

Mr. PROXMIRE. Government aid or financed exports.

Mr. KERR. That is not Government aid exports. The Senator ought to know what he is looking at. The Senator from Oklahoma does not admit its authenticity. What it says does not include sales of agricultural products that we make for dollars, not loaned, which are sold at from 25 to 40 percent discount. Did not the Senator know that?

Mr. PROXMIRE. The position of the Senator from Wisconsin is that this is included in the figures here; and this is not commercial export; it is Government-financed aid export.

Mr. KERR. No, they are not Government financed at all. We sell those products for cash, but we sell them at a discount.

Mr. PROXMIRE. They are Government sales, though. They are Government export.

Mr. KERR. That is Government aid.

Mr. PROXMIRE. It is Government export. The figure is for Government export.

Mr. KERR. The Senator said it was Government aid export.

Mr. PROXMIRE. Well, it is not commercial export.

Mr. YOUNG of North Dakota. Most of our exports of wheat are for dollars. It is private trade in itself, but is subsidized by the Government. There is a separate subsidy. It is export trade but not for the Government.

Mr. KERR. It is not included in that figure. What they actually get was included in that figure of the Department of Commerce.

So if we strip it all down bare, naked, we have a deficit. Any time we want to give this "stuff" away, we can do so.

I wrote a book 3 or 4 years ago. I found out that it was not too great a success in selling. But it was the easiest thing to give away that I ever saw. The same is true of our agricultural products.

The Senator from Oklahoma said that we have built an industry and a workshop that will bring things into the channels of trade and commerce and world competition and will produce an adequate inflow of dollars to offset what goes out for the stuff we buy; what goes out for what our tourists spend overseas; for what goes out that we spend in other countries in connection with our armed services; for what goes out in the form of loans of dollars that do not have to be spent here. Why treat a patient until he can stand up for an hour a day but never will get any better than that?

I used to know a doctor, a very dear friend of mine. He said, "Do you understand my concept of treating illness?"

I said, "Yes, you treat your patients so that they will neither die nor ever get well."

That is the kind of prescription the Senator from Wisconsin is offering. He wants to give an economic prescription that will let American industry barely get up off its knees, but never be able to stand erect and take its rightful place in the economic battles of this great new world in which we have come of age, and which we helped to create.

Mr. PASTORE. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I am delighted to yield.

Mr. PASTORE. Is the Senator from Oklahoma saying categorically that insofar as the balance of trade being in our favor is concerned, it is merely a fiction?

Mr. KERR. The Senator from Oklahoma tried to explain very carefully what he was saying.

Mr. PASTORE. I am very much interested in the subject; I am not being critical at all.

Mr. KERR. I know the Senator is not being critical.

Mr. PASTORE. I am not trying to be impertinent. The Senator's view is very optimistic. He believes that the balance of trade is in our favor. The point has been made that some things are being sold at a discount, which are being included in what they are actually selling, and that is balancing the trade to our favor. But that is only a fiction, and not a truth.

Mr. KERR. If the Senator from Wisconsin [Mr. PROXMIRE] can understand these figures, he is far better than the Senator from Oklahoma.

The actual situation is this: I said that aside from Government aid exports and Government financing, the balances are now in our favor to the tune of $1,500 million or $1,200 million a year.

Mr. PROXMIRE. They are in our favor to the extent of $3.9 billion a year even if we include the export of American capital, and even if we assume that it is all spent here.

Mr. KERR. The Department of Commerce advised me last night that aside from what we were giving away, we had a favorable balance of about $2 billion, at the annual rate, for this year. But included in that amount are the dollars we receive for the agricultural products we sell at a discount.

I have been trying all morning to get from the Department of Agriculture the

exact figures with respect to our total exports of agricultural products at a discount. I have not been able to get that information, but I expect to receive it during the day and shall place it in the RECORD. I am of the opinion that it exceeds the $2 billion, which, according to the estimates I received from the Department of Commerce, is our favorable trade balance for this year, including the dollars we receive for the agricultural products we sell at a discount.

Mr. PASTORE. Then the Senator says we are selling our agricultural commodities at a discount. Does he mean that foreign consumers are able to buy those commodities at cheaper prices than the prices which American consumers pay?

Mr. KERR. I say that a foreign textile mill can buy American cotton——

Mr. PASTORE. I know about cotton.

Mr. KERR. At 8½ cents a pound under what domestic textile mills pay.

Mr. PASTORE. I realize that.

Mr. KERR. Foreign users are buying our wheat for about 65 cents a bushel below the domestic price.

Mr. PASTORE. In other words, American commodities are being sold abroad at a price cheaper than the price the American consumer has to pay for them?

Mr. KERR. That is correct.

Mr. PASTORE. I am familiar with the cotton situation, because that case is pending before a Government agency. It is one in which we and the declining textile industry in this country are deeply interested. Up until now, a decision has not been forthcoming.

There is very little for us in the United States to brag about, when we are boasting about what we are selling abroad, when what we are selling there is being sold to foreign consumers at a cheaper price than the price at which it is being sold to American consumers. Certainly we have very little to brag about in that situation, and it gives no pleasure to me.

Mr. KERR. I understand; and that is what the Senator said when he said he did not believe we needed an economic doctor which would prescribe for us the kind of medicine that would barely keep us alive, but never would permit us to become as strong and as powerful as we can become with the proper economic environment.

Mr. PROXMIRE. Does the Senator from Oklahoma deny that the McGraw-Hill survey and the National Industrial Conference survey and the Wall Street Journal survey all show—after interrogating businesses all over the country—that they consider that the investment credit will have little or no effect on the investments they make; and according to the survey made by the National Industrial Conference Board, such additional investments would be made only in the amount of approximately $300 million, but at a cost of $1 billion in Federal revenue?

Mr. KERR. I say to the Senator from Wisconsin that my confidence in myself is such that I think I know more about the economics of the American industrial establishment than do the editors of McGraw-Hill or the Wall Street Journal—and what was the other one the Senator from Wisconsin named?

Mr. PROXMIRE. I say to the Senator——

Mr. KERR. The Senator from Wisconsin named three papers. What were they?

Mr. PROXMIRE. It was a survey of the top executives of each of these companies. They were asked what effect the proposed investment credit would have on their companies. The Wall Street Journal asked 68 of the leading business executives in the country. Only one said he would change his policy in regard to industrial plant and equipment. The National Industrial Conference Board asked 1,000. The Senator from Oklahoma is a very successful businessman; but he is only one, and I doubt that he knows more than 1,000 people—although that is possible.

Mr. KERR. I say to the Senator from Wisconsin that I do not know what McGraw-Hill said. I am like the young fellow that a well-known poet wrote about. This young fellow was trying to get a girl to marry him, but she was not satisfied with the economic situation he could offer her, and she was trying to encourage him to exert greater effort than he was capable of.

She said she wished he could be like Ben Franklin.

She said 'at Ben Franklin was awfully poor,
But full of ambition an' brains;
An' studied philosophy all his hull life,
An' see what he got for his pains!

He brought electricity out of the sky,
With a kite an' a bottle an' key,
An' we're owing him more'n anyone else
For all the bright lights 'at we see.

Jane Jones she honestly said it was so!
Mebbe he did—
I dunno!
O'course what's allers been hinderin' me
Is not havin' any kite, lightnin', er key.

I do not know what McGraw-Hill said. But I know what the economic facts of life are, and I know what industrial executives in this country have told me. I know what the railroad industry has said; I know what the textile industry has said; I know what the chemical industry has said; I know what the coal industry has said; and I know what the shoe industry has said.

Mr. PROXMIRE. They want a windfall.

Mr. KERR. They say, "We need this additional incentive to enable us to build facilities to quickly and effectively compete for the domestic market and in the world market."

The Senator from Wisconsin can call it a windfall if he likes; it is immaterial to the Senator from Oklahoma. I simply do not agree with him.

I think it is a constructive piece of tax legislation which, in conjunction with the revision of the depletion formula recently announced, will arm the industrial workshop in this country with the economic weapons to enable it to survive and to prosper. Mere survival, Mr. President, is inadequate.

Mr. PROXMIRE. These hundreds of exeutives were asked the question: If the administration's program of tax incentives for investment purposes were enacted, how much would it cause them to increase their capital expenditures in 1962?

In reply, business as a whole indicated that it would raise its 1962 plans by only about 1 percent or about $300 million. Nine out of every ten companies which replied stated that they would not use such a program. That was exactly the same answer that the National Industrial Conference Board got, and it was exactly the same answer that the Wall Street Journal got.

Although the Senator from Oklahoma is one of the most successful businessmen in the country, I submit that these people, who have the responsibility of determining the capital investment plans of their own companies, understand their companies' plans even better than does the Senator from Oklahoma.

Mr. KERR. I think I understand them better than the Senator from Wisconsin does.

Mr. PROXMIRE. I am sure the Senator is endowed with ample self-confidence.

Mr. KERR. And the plans for 1962 were not made in the middle of 1962 or in the spring of 1962. The plans of these companies for their expansion in 1962 were made in 1960 or in 1961.

Mr. PROXMIRE. May I say to the Senator——

Mr. KERR. Just a minute. If any one of us is going to make a speech in my time, it is myself. I will answer the Senator's questions, but I will not yield any further for speeches.

As for the question the Senator from Wisconsin referred to, I do not know when they were asked it. But this investment credit was not then a reality. There are some conservative businessmen in this country who do not respond to that which is not in existence. They knew there was certain opposition to this investment credit last year. They knew there was strong opposition to it this year. Why would they respond to a stimulant which had not been provided at that time?

Mr. PROXMIRE. That was not the question——

Mr. KERR. The Senator from Wisconsin can speculate all he wants to. But the evidence the Senator from Oklahoma has is that industry—if and when this credit becomes the law and becomes available to industry—will respond. That is my conviction. The Senator from Wisconsin may have a different one. If he does, I am happy to have him tell the Senate so; but I am going to ask him to do it in his own time, not in my time.

(At this point Mr. PELL took the chair as Presiding Officer.)

Mr. PROXMIRE. Does the Senator from Oklahoma deny that the great business organizations and associations of the country came before the Finance Committee and opposed this windfall which business would thus receive?

Mr. KERR. Yes, I deny that——

Mr. PROXMIRE. Does the Senator from Oklahoma deny that they came before the committee?

Mr. KERR. No, I do not deny that they came before us.

Mr. PROXMIRE. Or that they opposed the investment credit?

Mr. KERR. I admit that some of them opposed it. But I deny that any of them opposed it as a windfall or that it is a windfall. When the Senator from Wisconsin includes the word "windfall" in his question, I answer in the negative.

Mr. PROXMIRE. But the Senator from Oklahoma does not deny that they opposed it?

Mr. KERR. There were some who opposed it, and they are as shortsighted as the Senator from Wisconsin.

Mr. PROXMIRE. Does the Senator from Oklahoma dispute that this investment credit would "sock" the budget for a $1 billion or $1.4 billion tax cut which the responsible business organizations oppose?

Mr. KERR. Well, Mr. President, that is a question of interpretation. The Government spends a couple of billion dollars a year in the development of water and soil resources. If one were so shortsighted as to look at only the budget for that year, he would consider that the budget had been "socked" for $2 billion. But if he would look at what that $2 billion expenditure would do, if he would look at vast areas in this country whose economies have been built up, following this kind of investment, and if he would see the tremendous inflow of taxes which comes to the Government from economies thus encouraged and thus provide a foundation for coming into existence and growing and expanding, he would have a concept of the situation similar to that which the Senator from Oklahoma has of this investment credit.

It is true that for the first full year the Treasury would lose in excess of $1 billion current revenue. But, Mr. President, that will not be a loss. That will be an investment by this Government in a stronger base for growth and progress and greater prosperity. And on that foundation will develop a stronger economy. From that investment will come greater returns; and I hope I have the ability to look beyond the immediate moment, and to see what is out yonder that will come from so constructive a move as I regard this investment credit.

Mr. PROXMIRE. Then is the Senator from Oklahoma making the usual argument that if Government taxes are cut and reduced—although, according to the responsible businessmen, the stimulation of business which will result will be far less than the amount of the tax cut—the Government will, somehow, get back more than the amount of the tax cut? If so, why not eliminate or reduce all taxes, balance the budget and retire the national debt?

Mr. KERR. If the Senator has the intelligence I think he has, he understood what I said; and if he did not, he can read it in the RECORD, and he does not need to put an interpretation on it that was not given by the Senator from Oklahoma. The Senator from Oklahoma made a very clear statement that he believes this to be a sound Government policy whereby the Treasury would receive $1¼ billion less the first year, but thereby promote a greater growth, and a foundation for increased prosperity and increased tax revenue which in the long run will bring in far more for the economy than it would presently lose in revenue. That is what the Senator from Oklahoma believes. The Senator will not argue about it, but if the Senator from Wisconsin wants to ask another question, the Senator from Oklahoma will answer it.

Mr. PROXMIRE. I want to understand what the Senator said. So the Treasury will raise revenues by losing taxes?

Mr. KERR. The Senator heard what I said.

Mr. PROXMIRE. Is the Senator aware of the fact that the oil industry will get get favored treatment because gas pipelines get a 7-percent investment credit, although I understand they are utilities regulated by the Federal Power Commission. Why the favoritism for the oil industry?

Mr. KERR. That shows the ignorance of the Senator from Wisconsin.

Mr. PROXMIRE. It is in the report.

Mr. KERR. The oil industry does not own any gas pipelines. They run from it as they would run from the plague. They got rid of them when the Supreme Court held that independent producers were utilities when they held gas pipelines. The oil companies do not own any interstate gas pipelines, because if they did they would become regulated utilities.

The 7 percent the Senator is talking about has nothing to do with oil companies. His reference to gas pipelines instead is concerned with interstate gas transporters, who are public utilities, and who are under the regulation of the Federal Power Commission, which has without exception compelled the interstate gas pipeline carriers to pass on to the consumers any savings that they get by such a situation as a tax credit.

Mr. PROXMIRE. Would the Senator deny that the Phillips Co. puts gas into the pipelines and therefore would benefit from this kind of arrangement?

Mr. KERR. I guess the Senator from Wisconsin is an authority in the Phillips Petroleum Co. The Senator from Oklahoma is not, but he would make this little suggestion to the Senator from Wisconsin: If he would really like to know whether the Phillips Petroleum Co. is in interstate gas pipelines or not, he can find out from them. I would wager him a Coca-Cola that they do not own a foot of interstate gas pipeline.

Mr. PROXMIRE. But the fact is that the pipelines are regulated by the Federal Power Commission.

Mr. KERR. But they are not owned by the oil companies.

Mr. PROXMIRE. But they are regulated public utilities.

Mr. KERR. That is what I said.

Mr. PROXMIRE. Yet they get a 7-percent credit.

Mr. KERR. Not on interstate gas pipelines. They do not own them.

Mr. PROXMIRE. The pipelines, according to the committee report on page 155——

Mr. KERR. The Senator ought to read what is in the bill. Maybe he would know what he is talking about.

Mr. PROXMIRE. One has to read the report to find the interpretation of the bill. I read the bill.

Mr. KERR. The Senator ought to read one of them. There is not anything in the report that is not in the bill.

Mr. PROXMIRE. On page 155 of the report, next to the last sentence on the page reads:

> Specific examples of qualifying property which normally would be used as an integral part of one of the specified activities are blast furnaces, oil and gas pipelines, and railroad tracks and signals.

This is the paragraph which refers to the 7-percent credit—oil and gas pipelines.

Mr. KERR. But the Senator did not say oil and gas pipelines. He asked me about gas pipelines.

Mr. PROXMIRE. Well——

Mr. KERR. Well.

Mr. PROXMIRE. Gas pipelines. Then I wish to discuss oil pipelines——

Mr. KERR. If the Senator knows anything about it, I will be glad to discuss it; if not, I will be glad to enlighten him.

Mr. PROXMIRE. I asked how the Senator justified the fact that gas and oil pipelines——

Mr. KERR. No. The Senator asked if the oil industry was not getting a windfall out of the 7-percent credit on gas pipelines. I said they are not because they do not own any.

Mr. PROXMIRE. Will not the gas pipelines get a windfall?

Mr. KERR. The gas pipelines will not, because any reduction they get they pass on to the consumers under the regulations of the Federal Power Commission. The consumers in Wisconsin will get the windfall.

Mr. PROXMIRE. Why do they not get the same treatment as any other utility that is regulated?

Mr. KERR. If the Senator from Wisconsin would look into it, he would find that gas interstate pipelines are regulated by the Federal Power Commission in Washington. He would find further that private utilities are regulated within the State where located.

Mr. PROXMIRE. I know that.

Mr. KERR. The Senator does not know that?

Mr. PROXMIRE. I do know that.

Mr. KERR. If the Senator does know that, he knows that the regulatory bodies in the States do not necessarily follow the same guidelines or formula of regulation that are followed by the Federal Power Commission, that the regulatory practices of the Federal Power Commission are not binding on State commissions, and that the regulatory practices of the State commissions are not binding on the Federal Power Commission.

Mr. PROXMIRE. Then why should not the gas pipelines get the same 3-percent investment credit that other regulated utilities get instead of a further preferential 7 percent?

Mr. KERR. In the first place, oil pipelines are not under the Federal Power Commission.

Mr. PROXMIRE. I know.

Mr. KERR. The Senator asked me a question, and I told him. I informed him, because I told him something he did not know, and I am happy to do that.

Mr. PROXMIRE. I thank the Senator from Oklahoma.

Mr. DOUGLAS. Mr. President, does the Senator from Oklahoma feel he has sufficient strength to answer a few questions which the Senator from Illinois would like to ask?

Mr. KERR. I will risk it.

Mr. DOUGLAS. Is the Senator from Oklahoma aware of the fact that the 7-percent credit is to be paid on all investment even though that investment is less than the actual depreciation upon the machinery and equipment?

Mr. KERR. I do not understand the question.

Mr. DOUGLAS. Suppose a company has a $100,000 of depreciation but invests only $70,000. Will it not receive a 7-percent credit on the $70,000, or $4,900 as a direct credit against its taxes, despite the fact that it is not actually physically meeting its depreciation costs?

Mr. KERR. If I understand the bill——

Mr. DOUGLAS. If the Senator knows the answer, I would appreciate his giving it to me.

Mr. KERR. If I understand it, I will give it.

Mr. DOUGLAS. Good.

Mr. KERR. And that will be in line with what the Senator from Oklahoma has always done.

Mr. DOUGLAS. That is correct.

Mr. KERR. If I understand the bill, it gives anyone making an investment in certain depreciable property a credit up to, but not exceeding, 7 percent against taxes, but there are very distinct limitations on the amount of credit that the taxpayer gets.

Mr. DOUGLAS. Now would the Senator answer my question, namely, is the Senator aware of the fact——

Mr. KERR. Will the Senator refer to the provision in the bill that he is asking about?

Mr. DOUGLAS. I am referring to the 7-percent credit.

Mr. KERR. Will he point it out in the bill?

Mr. DOUGLAS. The bill contains some 300 pages.

Mr. KERR. This part does not cover 300 pages.

Mr. DOUGLAS. The Senator from Oklahoma can give a direct answer to this question. There are various interlocked points in the bill. Is the Senator from Oklahoma aware of the fact that this 7-percent credit is to be given for all investment even though that investment is less than the actual depreciation upon the machinery and equipment? In other words, is the Senator aware that this tax credit is to be given for gross investment, and not net investment over and above depreciation?

Mr. KERR. It is on the gross investment the taxpayer makes in those items with reference to which the tax credit is applicable.

Mr. DOUGLAS. That is right.

Mr. KERR. That is correct.

Mr. DOUGLAS. That is correct; even though the gross investment were less than the depreciation.

Mr. KERR. That is correct.

Mr. DOUGLAS. I thank the Senator from Oklahoma. Is the Senator aware that this 7-percent credit would be given even though there were a decrease in the investment made, compared with previous years?

Mr. KERR. That is correct, but it would be applicable only to new investment.

Mr. DOUGLAS. That is correct. Now, is the Senator aware that this would be a very great difference from the original investment credit proposed by the administration and the Treasury Department, which was to be a 15-percent credit on net investment over and above 100 percent depreciation, plus a 6-percent allowance on the amount between 50 and 100 percent.

Mr. KERR. I would say this: I am not entirely familiar with all of the details of the original request by the administration. I am sure it is a matter of record. If the Senator wants to put it in the RECORD, he may do so.

I will say also that the Treasury Department has made it quite apparent that it is very much in favor of the passage of the bill with the investment credit provision which is to be provided.

Mr. DOUGLAS. I may say to my good friend, I had experts make an analysis of the progress of this bill.

Mr. KERR. Mr. President, I do not yield for a reading of the progress of the bill.

Mr. DOUGLAS. Would the Senator be willing to turn to pages 17764 and 17765 of the RECORD for yesterday, which lies on his desk? This is a question, as to whether the Senator would be willing to turn to those pages.

Mr. KERR. I am not willing to turn to them and to have the Senator from Illinois read to me. If the Senator wishes to read to the Senate——

Mr. DOUGLAS. I do not want to read. I want to ask a question.

Mr. KERR. If the Senator has a question, let us hear it.

Mr. DOUGLAS. Will the Senator tell me—as shown on page 17765—whether the original bill did not provide for a 15 percent credit on net investment over and above depreciation?

Mr. KERR. I rather think it did.

Mr. DOUGLAS. Yes.

Mr. KERR. I do not have to read what the Senator has there to know about it.

Mr. DOUGLAS. Fine. At first the Senator said he did not know about it.

Mr. KERR. I did not know what the question was.

Mr. DOUGLAS. I am glad he now does.

Mr. KERR. The Senator finally got around to asking a question.

Mr. DOUGLAS. Is the Senator aware that as this bill has gone through Congress it has been changed vitally from the original proposal by the administration?

Mr. KERR. There has been substantial change.

Mr. DOUGLAS. That is correct.

Mr. KERR. That was done by the Ways and Means Committee of the House and by the House of Representatives.

Mr. DOUGLAS. That is correct.

Mr. KERR. And by the Finance Committee of the Senate.

Mr. DOUGLAS. Is the Senator aware of the fact that——

Mr. KERR. Does the Senator from Illinois hold the Senator from Oklahoma responsible for that?

Mr. DOUGLAS. No.

Mr. KERR. I thank the Senator.

Mr. DOUGLAS. I merely wished to know whether the Senator was aware of it, that is all.

Is the Senator from Oklahoma aware of the fact that even though a business should reduce its investment from that of previous years it would still get a 7-percent tax credit on the investment which it made?

Mr. KERR. I believe I answered that question.

Mr. DOUGLAS. How did the Senator answer it?

Mr. KERR. If the Senator does not know he can read the RECORD tomorrow.

Mr. DOUGLAS. Does the Senator know how he answered it?

Mr. KERR. Yes; I know how I answered it.

Mr. DOUGLAS. How did the Senator answer it?

Mr. KERR. I answered it as I gave it.

Mr. DOUGLAS. Does the Senator——

Mr. KERR. And in that regard, with reference to the position of the Treasury Department, I will read to the Senator from the report of the Committee on Finance, at page 10:

> The Secretary of the Treasury in his appearance before your committee stated:
>
> "The central element in the bill is the tax credit for investment in depreciable machinery and equipment."
>
> At another point he said, with respect to the investment credit:
>
> "This matter has top priority in the agenda for tax reform. As chief financial officer of the Nation, I do not lightly regard tax abatements on the scale proposed here. I urge this legislation because it will make a real addition to growth consistent with the principles of a free economy; because it will provide substantial help in alleviating our balance-of-payments problem, both by substantially increasing the relative attractiveness of domestic as compared with foreign investment and by helping to improve the competitive position of American industry in markets at home and abroad; and because, far from adding to the forces responsible for alternative recessions and recoveries, it will be of major assistance in strengthening our present recovery and enabling us to attain a higher rate of growth and sustained full employment. Early action will resolve uncertainty or hesitancy and begin at once a strong and lasting incentive for modernization of the productive facilities of our national economy."

Mr. DOUGLAS. Now, may I say, I admire——

Mr. KERR. I will say to the Senator from Illinois that that is the position of the Senator from Oklahoma.

Mr. DOUGLAS. I understand. Now will the Senator answer my question?

Mr. KERR. If the Senator from Illinois does not like this bill, he is at perfect liberty to offer any amendment he wishes to offer. If he favors the original administration proposal, he can offer it as a substitute for the provision recommended. If he is against this provision, he can fight it. But the Secretary of the Treasury in that statement made clear the position of the administration, and that is the position of the Senator from Oklahoma.

Mr. DOUGLAS. I admire the voice of the Senator from Oklahoma.

Mr. KERR. I thank the Senator.

Mr. DOUGLAS. And his stentorian presence. But now would the Senator from Oklahoma answer my question? Does the Senator realize that even though a firm should decrease its investment, it would still get the 7-percent credit on the gross investment which it would make?

Mr. KERR. Yes. I told the Senator that twice. I told the Senator that it was only with reference to the investment it made after the effective date of the bill, and not only if the firm makes a lesser investment, but also if it makes a greater investment.

Mr. DOUGLAS. Then how can it be said that this would stimulate investment, when it would reward a firm for making a lesser investment?

Mr. KERR. Well, I will say this to the Senator from Illinois: There are none so blind as those who refuse to see. It just might be, I say to the distinguished Senator, that without this provision, instead of making a lesser investment, the taxpayer might not make any investment. Had that ever occurred to the Senator as being possible?

Mr. DOUGLAS. It has never occurred in the past for American industry as a whole.

Mr. KERR. Oh, now——

Mr. DOUGLAS. American industry has made huge investments.

Mr. KERR. Who is the Senator to say what has never occurred in the minds of industrial investors since 1789?

Mr. DOUGLAS. I did not say that; it is always the Senator from Oklahoma who makes those judgments.

Mr. KERR. The Senator just made one, and I challenged it.

Mr. DOUGLAS. Is the Senator aware of the fact that there have been enormous investments in machinery and equipment by American industry in the past without the 7 percent credit?

Mr. KERR. Yes.

Mr. DOUGLAS. And that even though there were no increase in the investment, the firms would get the 7-percent credit in the future, under the proposal.

Mr. KERR. For the fourth time, the answer is "Yes."

Mr. DOUGLAS. Yes.

Mr. KERR. Yes.

Mr. DOUGLAS. And that in these cases it will amount to a complete windfall?

Mr. KERR. The answer to that is "No."

Mr. DOUGLAS. A windfall of hundreds of millions of dollars for investments that would have been made anyway, in the absence of the provision.

Mr. KERR. That is an argument, not a question.

Mr. DOUGLAS. Is the Senator aware of that fact?

Mr. KERR. I am aware.

Mr. DOUGLAS. Good. Is the Senator aware of that fact?

Mr. KERR. I am aware.

The answer to the Senator's question about it being a windfall is "No."

Regardless of how much information I give to my friend, I am compelled to observe that he is not always aware.

Mr. DOUGLAS. I am sure that the Senator from Oklahoma feels that, but I have the feeling that the Senator from Illinois may be aware of more things than the Senator from Oklahoma sometime is willing to give him credit for.

Mr. KERR. Then our self-adoration is probably on a par.

Mr. DOUGLAS. I would not like to think that was so.

Mr. KERR. I would not like to think it was not.

Mr. DOUGLAS. Will the Senator from Oklahoma come back to the point? Is the Senator aware of the fact that even though a firm made no increase in investment, even though there were a decrease——

Mr. KERR. One at a time.

Mr. DOUGLAS. Is the Senator aware of the fact that even though a firm made no increase in its investment the firm or the corporation would receive the 7-percent investment credit?

Mr. KERR. I have answered that in the affirmative four times. Now I am glad the Senator has asked it the fifth time, because I am going to qualify the answer.

Mr. DOUGLAS. Oh?

Mr. KERR. Because the 7 percent is not always the applicable figure.

Mr. DOUGLAS. That is the rough figure.

Mr. KERR. That is not always the accurate figure or the applicable figure.

The Senator from Oklahoma is aware that although a taxpayer might make no greater investment after the bill is enacted, and although an investor might make a smaller investment than he had previously made, before the effectiveness of the law, he still would get the applicable tax credit with reference to the investment he made. Now, that is the fifth time I have answered the question for the Senator.

Mr. DOUGLAS. That is fine.

Mr. KERR. If he were aware, it seems that it should break through his consciousness that I had answered it.

Mr. DOUGLAS. The Senator tried not to answer the question a number of times.

Mr. KERR. No. The Senator did not ask that question. He came over here with a bunch of insertions that he made, to which I did not pay any attention when he made them, and I have not paid any more attention to them today.

Mr. DOUGLAS. I want to know how the Senator can maintain that the proposal would be a stimulant to investment in cases in which the firm actually invests less than it did before, or would not invest the amount of the depreciation, or cases in which there is a net capital loss.

Mr. KERR. The Senator answered that question awhile ago when he told the Senator from Illinois that it was entirely possible that, without the stimulant, the firm might not make any investment.

Mr. DOUGLAS. What I have said is true of industry as a whole.

Mr. KERR. That is true of the situation to which the Senator from Oklahoma referred.

Mr. DOUGLAS. In industry as a whole about $27 billion annually has been invested without the 7-percent credit.

Mr. KERR. The bill applies to individual taxpayers on the basis of the position of the taxpayer with reference to the law.

Mr. DOUGLAS. Does not the Senator think that in order to reach a small group of margin-of-decision firms, vast subsidies would be paid to firms which would make such investments anyway?

Mr. KERR. Will the Senator repeat his question?

Mr. DOUGLAS. Does not the Senator feel that in order to affect a few firms on the margin of decision, the 7-percent investment credit would be applied across the board to all firms, most of which would make investments anyway. Therefore would not the proposal constitute a bonus or windfall?

Mr. KERR. The Senator from Oklahoma does not any more agree that that is the way in which the bill would work than that the revised formula of depreciation would work that way. The Senator from Oklahoma thinks that both would stimulate increased investment by American investors, especially in our industrial workshop. He thinks that is an objective devoutly to be hoped for.

Mr. DOUGLAS. Is the Senator from Oklahoma aware of the fact that last year the resources of American corporations increased by approximately $43 billion, which came from depreciation funds?

Mr. KERR. From what?

Mr. DOUGLAS. And from profits, the sale of stocks, and the sale of bonds. The physical investment in industry during that time amounted, however, to only about $31 billion; so the cash assets of corporations increased by approximately $12 billion in a year. The corporations did not invest those cash balances in industry, and put them intact into Government bonds and securities. If they had those amounts of cash, why did they not invest them? Does the Senator think the added $1,300 million yearly tax credit this bill provides would be put into investment, or would it increase the cash resources of corporations whose cash resources are already overflowing, and which would not invest in industry because they do not think there is sufficient effective consumer demand?

Mr. KERR. If the Senator from Illinois would confine himself to asking questions instead of making speeches, we could get along better. But if that is the way he wants to operate, it is all right.

Mr. DOUGLAS. I have been following a worthy example.

Mr. KERR. The Senator from Oklahoma does not know the exact figures with reference to the matters mentioned by the Senator from Illinois, but he does not dispute them. But as American industries did have $12 billion in liquidating assets last year which they did not invest in increasing their efficiency and their productive capacity, it might well be because there was not adequate stimulant or encouragement for them to do so. If firms have adequate stimulant and encouragement, the Senator from Oklahoma contemplates the expenditure of portions of that amount, or perhaps all of it, by those companies to improve their competitive position and efficiency of operation, rather than investing the money in Government bonds. If the situation which the Senator from Illinois describes exists, it is an argument in favor of the proposed legislation rather than against it.

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

Mr. KERR. I yield to the Senator from Kentucky.

Mr. COOPER. I intervene with some reluctance in this joust between giants, but I believe the Senator from Illinois asked whether the Senator from Oklahoma was aware of the fact that if a company actually reduced its investment in plant——

Mr. KERR. No, he did not say that. He assumed that a company might make a smaller investment this year than last year. He assumed that it might make a smaller investment than it had planned.

Mr. COOPER. If that state of facts existed, the credit would be available. Also companies might invest the same amount that they invested last year. Is it the conception of the chairman of the committee that, looking at the total of investments all over the country, regardless of the fact that one company might not invest as much as it did last year, or might even reduce its plans to invest this year, or might invest the same amount, the total investment of all companies would be increased throughout the country? Is that the argument of the Senator from Oklahoma?

Mr. KERR. That is the position, belief, and conviction of the Senator from Oklahoma.

Mr. COOPER. All of that, of course, must be based upon assumption. I know the Senator has developed the point before, but there must be some basic assumptions which leave the Senator and the committee——

Mr. KERR. A majority of the committee.

Mr. COOPER. Yes.

Mr. KERR. It was a divided committee on that provision.

Mr. COOPER. I understand. The point that I understand the Senator is making is that in the totality of investment made by all taxpayers, whatever changes might be made in some cases that would lower investment by a specific taxpayer or even keep the level the same as it was last year, the investment would be increased. The Senator's argument is that in considering the investments of companies all over the country, the Senator believes that the credit would increase the total of investments.

Mr. KERR. There is not the slightest question of doubt in the mind of the Senator from Oklahoma that what he has said is correct. The tax credit would be a stimulant to all industry. It would be a stimulant to marginal industries. It would be a stimulant to industries that have a larger cash flow than they have an investment program.

One of the amazing facts of our economy is that the spread between capital investment and cash flow is increasing and has been for some months—that is, the amount of cash flow available for investors is larger than the amount being invested.

Mr. DOUGLAS. It would increase the cash flow by diminishing the tax.

Mr. KERR. The Senator from Oklahoma thinks that the best possible way to reverse the trend and bring about a situation in which industry would increase its capital expenditures in more efficient facilities and more efficient capacities is to provide the proposed stimulant, because, as of now, in the judgment of the Senator from Oklahoma, companies do not have adequate encouragement to cause them to make the investment in a capital expenditure program that is required to enable us to achieve a position as a national industrial workshop equal to or superior to any other in the world.

Mr. DOUGLAS. Even though they receive that 7 percent on investments which they would make anyway?

Mr. KERR. Even though they receive that 7 percent on investments that they would make anyway.

Mr. DOUGLAS. Which would mean around $27 billion.

Mr. KERR. Just as they get depreciation on investments that they would make anyway.

Mr. DOUGLAS. The depreciation is on investments which they made in the past.

Mr. KERR. And make this year, and that they would make anyway. Just as we would reduce the base on income that a person would get anyway. Just as we would say, "Let us reduce the corporate rate." We would reduce it on income they would have anyway. The Senator from Oklahoma does not think it is any crime for the Government to improve the economic environment of the American taxpayer.

Mr. DOUGLAS. Does the Senator——

Mr. KERR. Just a moment. The Senator from Oklahoma thinks that the power to tax is the power to destroy. The Senator from Oklahoma thinks the responsibility of government in fashioning its tax structure is one whereby it should do so on a basis that will be the most conducive to expansion and increase in efficiency and increase in productivity. Therefore, the Senator from Oklahoma favors what he believes to be a constructive measure.

Mr. DOUGLAS. Does the Senator from Oklahoma have a high opinion of the business judgment of the leaders of the American Telephone & Telegraph Co.?

Mr. KERR. I would rather not indulge in personalities, except as between me and the Senator from Illinois.

Mr. DOUGLAS. Does the Senator from Oklahoma have the same high opinion of the ability of the managers of A.T. & T. that the Senator from Illinois has?

Mr. KERR. The Senator from Oklahoma declines to indulge in personalities with respect to any industrial unit.

Mr. DOUGLAS. Is the Senator from Oklahoma aware of the fact that the representatives of A.T. & T. came before the committee and said that although they would get at least $75 million of the investment credit, they thought it was immoral and they thought it was wrong and that it would not increase investments in the slightest, and that they urged the Senate to turn down this measure? Is the Senator aware of that fact?

Mr. KERR. No; he is not aware of that fact.

Mr. DOUGLAS. The Senator reads the RECORD, I am sure.

Mr. KERR. The Senator from Oklahoma denies it. The Senator from Oklahoma stood on this floor for 6 weeks, during which time he heard the Senator from Illinois describe A.T. & T. as a giant monoply seeking to crush all competition.

Mr. DOUGLAS. No, no. I must rise to a point of personal privilege.

Mr. KERR. The Senator from Oklahoma is astounded to find that A.T. & T. officials have a new champion, upholding them for their high morality and their great judgment.

Mr. DOUGLAS. I rise to a point of personal privilege.

Mr. KERR. It seems to me that he would rather fashion facts to meet his argument instead of fitting his argument to the facts.

Mr. DOUGLAS. Since the Senator has quoted the Senator from Illinois, I would suggest that if he will examine the RECORD he will find that the only part I took in the debate on satellite communications was to ask certain questions of the Senators from Tennessee and, I believe, the Senator from Louisiana [Mr. LONG], for a very brief period. I was on the fence until I became convinced by the arguments of the two Senators from Tennessee and the Senator from Oregon [Mr. MORSE] and the Senator from Louisiana [Mr. LONG]. However, I do want to say——

Mr. KERR. Just a moment. I have the floor. I want to say that when the Senator got off the fence he surely did so as vigorously as anybody I ever saw get off a fence. I remember hearing him say he joined these greater fighters in their battle for righteousness.

Mr. DOUGLAS. At the end; that is right; that is correct.

Mr. KERR. I have never seen a man do so with greater zeal and more vigor and, I must say, with what appeared to be more enthusiasm and agreement than I have ever seen any man display.

Mr. DOUGLAS. In all this I made no reflection upon the officials of the A.T. & T. I make no reflection on the motives of the Senator from Oklahoma,

with whom I have clashed for 12 long years.

Mr. KERR. For 14 years.

Mr. DOUGLAS. I believe it began in 1950, when he tried to jam the gas bill through.

Mr. KERR. And did.

Mr. DOUGLAS. And did; and we were saved by the veto of a President. Then the Senator tried to get at the Federal Power Commission.

Mr. KERR. I was not saved by the veto. The Senator from Illinois was.

Mr. DOUGLAS. I was saved by the veto; exactly so. Thank God we had a President in Harry Truman who vetoed that bill. Now if we may depart from history and come to the present——

Mr. KERR. Let us never depart from history, because even the present is history in the making.

Mr. DOUGLAS. Very good. Is not the Senator aware of the fact that officials of the A.T. & T. testified against the investment credit and said it was a windfall, and that even though it would give them $75 to $100 million, they were opposed and did not favor it? I appeal to the chairman to say if they did not so testify.

Mr. KERR. The Senator need not appeal to the chairman. If the Senator were to ask me the question whether I am aware of the fact that a, one, a single, representative of A.T. & T. appeared before the committee and opposed this feature of the bill, the answer is "yes."

Mr. DOUGLAS. I am glad the Senator admits it. He has retreated.

Mr. KERR. Not at all. I answered no to the Senator's question before because he put statements into the mouths of officials of A.T. & T. and asked me if I did not know that they had said so and so. I said I did not know it.

Mr. DOUGLAS. Did they not state——

Mr. KERR. No.

Mr. DOUGLAS. The Senator does not know what I am asking.

Mr. KERR. He did. They did not.

Mr. DOUGLAS. I mean the man who appeared before the committee. Did he not represent A.T. & T.?

Mr. KERR. Yes; but the Senator said "they." "He" is singular not plural.

Mr. DOUGLAS. In other words, you imply he was not the representative of A.T. & T., although they sent him here. In other words, the medieval philosophers who calculated how many angels could dance on the point of a pin, have a successor in the Senator from Oklahoma.

Mr. KERR. When the Senator from Illinois knows not what else to say he refers to some memory he has of the classics or poetry, in which he takes refuge. I hope he may be happy.

Mr. DOUGLAS. I asked a specific question. I shall document it this afternoon. Did not a representative of A.T. & T. testify against the bill?

Mr. KERR. Stop right there.

Mr. DOUGLAS. No; I will not stop. Did he not——

Mr. KERR. I will yield no further. If the Senator asks whether a representative appeared in opposition to this provision, the answer is "Yes."

Mr. DOUGLAS. May I ask the next question?

Mr. KERR. This is the first time the Senator from Illinois has asked the Senator from Oklahoma if a representative appeared.

Mr. DOUGLAS. Was he not the representative of A.T. & T.?

Mr. KERR. He was the one, so far as I know, who came before the committee, but he was still singular.

Mr. DOUGLAS. Did he not say that A.T. & T. did not want the $75 million?

Mr. KERR. I told the Senator he appeared in opposition to the bill. I do not know what he said. It is in the record. If the Senator wants to spend the afternoon reading it, he may do so.

Mr. DOUGLAS. We will find it.

Mr. KERR. The Senator from Oklahoma does not let an A.T. & T. representative make up his mind. He tries to make up his own mind.

Mr. DOUGLAS. The Senator would give them $75 million even though they do not want it.

Mr. KERR. I want the Senator from Illinois to make up his mind too.

Mr. DOUGLAS. I try to.

Mr. KERR. The Senator from Illinois says he said it and, therefore, I should accept it. I am not persuaded to do something because someone has said it. I make up my own mind.

Mr. DOUGLAS. There is a good deal of contrasuggestion there.

Mr. KERR. Contra what?

Mr. DOUGLAS. Suggestion.

Mr. KERR. I misunderstood the last part of the Senator's statement.

Mr. DOUGLAS. The Senator from Oklahoma is not as unfamiliar with the English language as he pretends to be.

Mr. KERR. I did not say I was unfamiliar with it. I merely did not hear what the Senator said. I was sure it could not be what I thought the Senator said. I got the "contra" part, and the rest was not clear.

Mr. DOUGLAS. We will meet again at Philippi.

Mr. KERR. I hope we will meet in Washington before that.

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

Mr. KERR. I yield.

Mr. LAUSCHE. In the minority views, filed by the Senator from Virginia [Mr. BYRD] and other Senators, it is stated that the U.S. Chamber of Commerce, the National Manufacturers Association, the AFL-CIO, the American Farm Bureau Federation, and the Farmers Union are opposed to the bill through testimony or letters. I should like to know if that is the fact.

Mr. KERR. I must say to my good friend from Ohio that my regard for the veracity and accuracy of the chairman of this committee is such that I would endorse the factual attributes of any statement that he made.

The Senator from Ohio need never ask me if a statement made by that great man is accurate.

Mr. LAUSCHE. It delights me to hear the Senator from Oklahoma make that statement, because I hold him in that same high esteem. I do not mean to imply that their positions ought to be determinative.

Mr. KERR. I never knew the Senator from Ohio to let anyone else prescribe his position; and certainly the Senator from Oklahoma does not.

Mr. LAUSCHE. Neither do I intend to. However, it is a consideration that must be given in trying to evaluate the relative arguments made on the subject.

Mr. KERR. The Senator from Ohio may be influenced by such considerations as he desires and believes are justified. That is a right which every Senator has, a right which I would not take away from him if I could, and could not if I would.

Mr. LAUSCHE. I may say that while the discussions have grown a bit sharp and hot, they have been very informative to those who have been listening, and at times very entertaining.

Mr. KERR. Oh, they have been informative even to those who have participated.

Mr. LAUSCHE. I thank the Senator.

Mr. KERR. Mr. President, I yield the floor.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. Oh, with pleasure; for a question.

Mr. GORE. In connection with the liquidity position of the U.S. corporations——

Mr. KERR. Would the Senator from Tennessee use language I can understand?

Would a page bring me a dictionary? I should like to answer the Senator's question, but I should like to have him use the English language with which I am familiar.

Mr. GORE. Very well. In reference to the cash position——

Mr. KERR. Oh, I know what that is.

Mr. GORE. I daresay better than any other Member of the Senate.

Mr. KERR. No, but well enough.

Mr. GORE. Is the Senator from Oklahoma aware that U.S. corporations in the year 1961 increased or bettered their cash position by approximately $12 billion?

Mr. KERR. The Senator from Oklahoma will not need the dictionary now. The Senator from Tennessee has stated his question in language I can understand.

The Senator from Oklahoma, in answer to a question by the Senator from Illinois [Mr. DOUGLAS], said that he had not been aware that that was the fact, but that if the Senator from Illinois stated it as a fact, the Senator from Oklahoma would accept it as a fact; and the Senator from Oklahoma certainly has equal respect for the Senator from Tennessee. So the Senator from Tennessee may proceed with his questions on the assumption that the Senator from Oklahoma has taken his word and the word of the Senator from Illinois to the effect that that is the fact.

Mr. GORE. Would the Senator from Oklahoma permit me to give him those particular facts?

Mr. KERR. I thought the Senator had already given them to me. He gave the figure $12 billion in his question.

Mr. GORE. I wish to elucidate.

Mr. KERR. If the Senator wishes to elucidate, why does he not wait until I take my seat? If he wishes to ask me a question, why does he not ask me a question?

Mr. GORE. I should like very much to give the Senator the benefit——

Mr. KERR. Do not go beyond that. Did they have less or more than that?

Mr. GORE. In 1961, corporations acquired $43,100 million of corporate funds, but invested only $31,300 million in plant, equipment, and increased inventory.

Mr. KERR. The Senator has weakened his position, because that does not leave a net of $12 billion.

Mr. GORE. I deducted $31 billion from $43 billion.

Mr. KERR. But the Senator gave the figures as $43.1 billion and $31.3 billion.

Mr. GORE. The Senator from Oklahoma is correct; the difference is $11.8 billion.

Mr. KERR. If we are to insist on accuracy, let us indulge it.

Mr. GORE. I was not attempting to split hairs; I was trying to round off a figure.

Mr. KERR. Two hundred million dollars would be quite a sizable hair.

Mr. GORE. I was trying to round the figure in general terms.

American corporations were $12 billion better off in their cash and liquid assets position at the end of 1961 than at the beginning of 1961.

I should like to read to the Senator from Oklahoma what Mr. McElroy, a leading businessman and former Secretary of Defense, said.

Mr. KERR. The Senator from Oklahoma is not interested in what Mr. McElroy said. If the Senator from Tennessee has a question, I will yield to him to ask it. If he wishes to ask it, I will answer it. If he does not, I will take my seat.

Mr. GORE. Would the Senator from Oklahoma be willing to express his agreement or disagreement with a——

Mr. KERR. No; I told the Senator from Illinois [Mr. DOUGLAS] I did not wish to indulge in personalities. The Senator from Tennessee can have a position without putting it in someone else's words.

Mr. GORE. Is the Senator from Oklahoma aware that this leading businessman stated to the Committee on Ways and Means——

Mr. KERR. The Senator from Oklahoma is not interested in what a leading businessman said to the Committee on Ways and Means. If the Senator from Tennessee has a question, I will yield for it; if he does not, I will yield the floor.

Mr. GORE. I have a question.

Mr. KERR. Let us have it.

Mr. GORE. How does the Senator maintain that U.S. corporations, which have steadily increased and bettered their cash position, in a way yet undefined will be encouraged to spend vast amounts of money in improved plant and facility because they are given a little tax subsidy that would but further increase their cash position?

Mr. KERR. I am glad the Senator asked a question and brought in the last phrase, "a little." The way this discussion has been taking place for some time, the Senator from Oklahoma thought the Senator from Tennessee thought it was an awfully big one.

I believe the Senator from Tennessee was in the Chamber when the Senator from Illinois asked the identical question. I shall give the Senator from Tennessee the identical answer.

Mr. GORE. I was not in the Chamber when the question was asked.

Mr. KERR. Then I shall give the identical answer anyway.

Mr. GORE. Good.

Mr. KERR. The Senator from Oklahoma, in answer to that question from the Senator from Illinois, said this: If it is a fact that American business corporations increased their liquid assets in 1961 by approximately $12 billion and kept them liquid, rather than investing them in improved or more efficient machinery and facilities, in the judgment of the Senator from Oklahoma it was because they did not think they could do so and make a greater profit than they could get by using that cash to invest in Government bonds or some other low-yield securities.

The Senator from Oklahoma thinks it is the business of Government, if possible, to improve the environment in which these industries operate, so that they will be encouraged to invest their money in improved plant and facilities, in more efficient facilities, because that is the objective we seek first by the Treasury's new depreciation formula, and second by the tax credit.

What the Senator from Tennessee has stated as the basis for his question would indicate that the expansion of American industry had slowed down; that its cash flow exceeded its investments and the expenditures to improve productivity, efficiency, and competitive position. The Senator from Oklahoma thinks they should be encouraged to spend their money to improve their productivity, their efficiency, and their competitive position, rather than to hoard it or to invest it in Government bonds.

The Senator from Tennessee will remember the parable of the talents, in which the master had three servants, to one of whom he gave five talents, to another of whom he gave two talents, and to the third, one talent, and then he departed on a journey.

When he returned, he got a report. The first servant said, "You gave me five talents. I used them. Here are the five talents you gave me and five in addition." That servant was appropriately rewarded.

The second servant said, "You gave me two talents. Here are the two, and another two besides, which I have acquired by using the two you gave me." And that servant was appropriately commended and rewarded.

Then the servant to whom the master had given one talent came in and said, "I knew you were a hard taskmaster; that you gathered where you had not sown. I was afraid. So I took the talent and buried it; I hoarded it." That servant was discharged as an unfaithful servant.

I think this Government in handling the development of the tax environment of our industry should arrange it so that industry does not want to hoard its liquid assets, except what is necessary to maintain a safe reserve. I think the Government should provide a tax structure which will encourage industry to do that which the servant who had the five talents and the servant who had the two talents did—namely, go out and use them to increase what they had, for the benefit of themselves and for the benefit of their masters.

I do not believe we should maintain an environment which will make business want to hoard its assets and bring about the situation which the Senator from Tennessee and the Senator from Illinois have described.

Mr. GORE. But the amendment the Senator from Oklahoma supports would increase the amount hoarded.

Mr. KERR. No; the Senator from Tennessee is very much mistaken. He knows so little about the response of industry to a stimulant. When we increase the profitability of investment, make it possible for businesses to acquire more productive facilities at less cost, we stimulate them to improve their equipment, to increase their efficiency, and to expand their productivity.

Mr. GORE. I agree——

Mr. KERR. Well, that is where I stand on this amendment and on this bill.

Mr. GORE. The great stimulus for investment lies in the hope of a profit from that investment, not in the hope of a tax subsidy, not in the hope of a gimmick, such as this, to increase the board of the particular segments of industry that are in a position to take advantage of it.

If we increase the demand in this country for consumer goods, if we stimulate the economy to provide full employment, thereby developing a climate in which industries can make investments with the hope and the confidence and the expectation of earning profits, rather a tax subsidy, then the economy will be stimulated a thousand times more than it would be by a device such as this one. I am glad the Senator from Oklahoma has put his finger on a fundamental economic fact.

Mr. KERR. Well, if I did, I was not aware of it; and I do not think the Senator from Tennessee would be any more aware of it.

I interpret the result of this amendment differently from the way my good friend, the Senator from Tennessee, does. I think if we reduce the cost of productive machinery, we encourage the taxpayers to build it. I think if we make the tax environment more profitable for a taxpayer, he may respond by making a greater effort. As I said yesterday, I do not regard this amendment as a subsidy. I do not regard a reduction in tax as a subsidy. I do not regard——

Mr. GORE. The Senator from Oklahoma called this just what it is.

Mr. KERR. I did not interrupt the Senator from Tennessee when he asked questions or made a speech.

Mr. GORE. Very well; go ahead.

Mr. KERR. I do not regard any tax reduction as a subsidy. First of all, I think the Government should reduce its taxes whenever it can operate at less expense and thereby make it possible to reduce taxes. I think the Government should reduce its taxes whenever it is justified in believing that by so doing it will bring about a more dynamic economy. If I did not, I would not have helped to bring about the elimination of the excess-profits tax. We had that tax during World War II and during the Korean war; but as soon as we reached the point where we could remove that awful burden from the back of our industry, we did so.

I believe that with the enactment of this tax investment credit, encouragement will be given to American industry to expand, to be able to compete more effectively for the markets at home and abroad. And I say to the Senator from Tennessee that if it does, more jobs will be provided.

I do not want the Government to have to provide jobs. I want full employment just as much as the Senator from Tennessee or any other Senator does. But I want it in a free economy. I want it on the basis of employment by free, private competitive enterprise. I want it on the basis of having our Government make it possible to encourage the expansion of industry. Thereby, more jobs will be created. Thereby, our industry will be able to compete more effectively for the domestic market. Thereby, more jobs will be provided. Thereby, our industry will find it possible to compete more effectively in the markets of the world. Thereby, more jobs can be created and employment can be increased; and perhaps we shall then reach—on the basis of a free, competitive enterprise economy—the happy objective of full employment.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield?

Mr. KERR. I yield for a question.

Mr. GORE. Will the Senator from Oklahoma yield for a comment?

Mr. KERR. No. If the Senator from Tennessee wishes to make a comment, I shall sit down.

Mr. MORSE. Mr. President, I am going to raise a point of order. I do not like to raise a point of order against two such dear friends as the Senators who now are occupying the floor; but I wish to raise the point of order that there must be no failure to follow the rule that a Senator who has the floor can yield only for a question.

The PRESIDING OFFICER (Mr. BURDICK in the chair). Such a point of order will be sustained. A Senator who has the floor can yield only a question.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. I yield for a question.

Mr. GORE. In making the reference, as the distinguished Senator from Oklahoma did, to the need for increasing production facilities, did the Senator from Oklahoma have clearly in mind that the problem with which we are plagued now is the existence of idle production facilities? Did he have clearly in mind that what the country needs is sufficient stimulation of the economy to put to use the production facilities we already have, and thereby increase the possibility of improvement and expansion of those production facilities?

Mr. KERR. I think we shall put our present production facilities into full use or into fuller use and more efficient productive facilities into fuller use if industry in this country has production facilities which will enable it to compete more effectively for the domestic market and for the world market.

I know there is idle industrial capacity. I also know that there are billions of dollars of imports of commodities produced by industrial facilities in other countries, owned by nationals of those countries and owned to some extent by Americans who have gone to those countries to build productive facilities. I know that that migration of industry has brought about the situation whereby we have idle machines in this country. And I want to stop that migration of American industries to other shores and other countries. I want to bring about a condition whereby the idle machines we have, augmented by more efficient ones than can be built, will enable American industries to compete more effectively for our domestic market and for the world market. And I think this amendment is the way to do it.

I recognize the right of the Senator from Tennessee to disagree. I am not offended by that disagreement. I do not think it is a reflection on the Senator from Tennessee that I do not agree with him, nor do I think it a reflection on me that the Senator from Tennessee does not agree with me. There is that difference of opinion between us. It is a clear-cut and simple one, but a distinct one; and that is all there is to this.

Mr. GORE. Mr. President, will the Senator from Oklahoma yield for a question?

Mr. KERR. Yes.

Mr. GORE. A moment ago, when the Senator from Oklahoma referred to tax reduction, was he aware that in the opinion of the junior Senator from Tennessee he was accurately characterizing the so-called investment credit? I think it is nothing more than a thinly veiled tax reduction for the segments of industry which can take advantage of the so-called investment credit.

Mr. KERR. I was not aware that the Senator from Tennessee believed it was a tax reduction, because I have heard the Senator from Tennessee refer to it as a "subsidy"; and I have heard the Senator from Tennessee refer to it today as a "subsidy."

I am glad to know that the Senator from Tennessee acknowledges that it is a tax reduction. That is what the Senator from Oklahoma believes it to be, but the Senator from Oklahoma knows that under the provisions of the bill it is available only to those taxpayers who comply with this provision and spend certain sums of money on their plant facilities and depreciable property, and the Senator from Oklahoma thinks if they are going to spend it, they are going to spend it on more modern and efficient plant facilities and equipment.

Mr. GORE. Does the Senator know that as the result of a survey conducted by McGraw-Hill on a large number of industrial establishments the report was made that if the investment credit provision were enacted, an increase of only 1 percent in planned investment in plant facilities would be made as a result?

Mr. KERR. The Senator from Tennessee has addressed to the Senator from Oklahoma nearly the same question that the Senator from Wisconsin asked, but the Senator from Wisconsin said the McGraw-Hill survey stated it found that the investment credit would bring an increase of only 1 percent in 1962. It may be that the Senator from Tennessee refers to a different McGraw-Hill survey. I do not know. It may be that if the Senator from Tennessee is referring to the same one referred to by the Senator from Wisconsin, it was with reference to the year 1962.

Mr. GORE. I believe the Senator from Oklahoma in quoting the junior Senator from Wisconsin has quoted him more accurately than the Senator from Tennessee stated. If I said 1963——

Mr. KERR. The Senator did not say 1963. He left it open. He asked me if I was aware of the fact that McGraw-Hill said that enactment of this law would bring about only an increase of 1 percent in investment by American industry.

Mr. GORE. This year.

Mr. KERR. Ah now, I took the word of the Senator from Wisconsin for that. I take the word of the Senator from Tennessee for it. I answered the question of the Senator from Wisconsin. I answer the Senator from Tennessee the same way, that investment credit was talked about all last year, and has been talked about all this year. I know, and I think the Senator from Tennessee does, that business does not respond to a stimulant that is talked about but does not exist. How could American business sometime in 1962 respond to a stimulant not yet in existence and with reference to which they do not know whether it will come into existence or not?

The Senator from Oklahoma answered the Senator from Wisconsin by saying that plans for expansion for 1962 by American industry were made in 1960 and 1961; and certainly to go around now asking, "How much are you going to do this year in connection with this proposal?" would fail to bring about an accurate response or an accurate picture of the long-term effect of this legislation.

Mr. GORE. Will the Senator yield for a question?

Mr. KERR. Yes.

Mr. GORE. Then why, I ask the Senator, does he give it to them this year?

Mr. KERR. I say this, Mr. President——

Mr. GORE. The Senator has just explained here in detail——

Mr. KERR. The Senator asked me a question. Why does he not let me answer? The Senator from Oregon [Mr.

MORSE] will make a point of order if the Senator does not let me answer the question.

Mr. GORE. Very well.

Mr. KERR. This bill was introduced last year in the House. They wrestled with it for nearly as long as Jacob wrestled with the angel, and left it probably in the same impaired condition. I do not know. I know that the Senate Finance Committee was wrestling with it all of this year. It came from the House with an effective date of January 1, 1962. It was the amendment of the Senator from Oklahoma, after he had wrestled with the Senator from Tennessee for months, and saw it could not possibly become effective until after the midpart of the year, that made it effective after the middle of 1962. I say if the Senator continues his wrestling until the year is over and we do not enact it until next year, the Senator from Oklahoma will be in favor of starting it in 1963. There must be an effective date if we are to have an effective piece of legislation.

The Senator from Tennessee and other Senators could wrestle and wrestle and wrestle here throughout the spring, and the summer, and the fall, and even until the foliage is in sere and yellow leaf, before we could enact legislation; but to do so we must have an effective date. The Senator from Tennessee is not trying to change the effective date; he is trying to destroy the provision. He is trying to eliminate it.

Mr. GORE. Correct.

Mr. KERR. If he fails in that effort, I hope he will not be too unhappy if those who prevail fix an effective date.

Mr. GORE. Then the Senator maintains that even though it will not, and by the rules of business which he knows so well would not and could not——

Mr. MORSE. Mr. President, I raise the point of order that the Senator from Tennessee is out of order.

Mr. GORE. I am stating a question.

Mr. KERR. I think the Senator has the right to make a point of order. I have asked the Senator from Tennessee to ask questions. I would like to have the Chair make a ruling.

The PRESIDING OFFICER. The Senator from Oklahoma has the floor and he may yield only for a question.

Mr. GORE. Does the Senator yield for a question?

Mr. KERR. I yield for a question.

Mr. GORE. Well, the Senator maintains, does he not——

Mr. KERR. Well, the Senator maintains. I will answer that part of the question, and I hope successfully.

Mr. GORE. The Senator's maintenance against all logic——

Mr. KERR. Oh, I want to say I know the Senator from Tennessee had none, pointing at himself. I did not think he would talk about it on this floor. I do not claim——

The PRESIDING OFFICER. The Senator can yield only for a question.

Mr. KERR. Well, I do not have to yield to myself for a question. I yield to myself for an observation.

I want to say, sir, I do not attempt to deny logic to the Senator from Tennessee, nor can I concede or agree with the inference or statement that he alone possesses it.

Mr. GORE. Now will the Senator yield for a question?

Mr. KERR. Yes.

Mr. GORE. In maintaining that even though the investment credit could not, and under the laws and practices of economics and business would not, result in any substantial increase in investment either in 1962 or 1963, does he not go straight into the face of a statement to the contrary, that this is not a tax reduction in the nature of a windfall?

Mr. KERR. The answer to the Senator's question, is "No." The Senator from Oklahoma believes that even if the effect of this bill were to be limited to 1 percent or less this year——

Mr. GORE. Will the Senator——

Mr. KERR. He will not.

Mr. GORE. Will the Senator let me correct that statement?

Mr. KERR. No. If the Senator asked a question, I want to answer it. I do not want the Senator to get into the clutches of a point of order. [Laughter.]

The Senator from Oklahoma acknowledged the statement of the Senator from Tennessee that McGraw-Hill indicated a fact, not that the Senator from Oklahoma agreed to it, and answered his question on the assumption that it was correct. He did not thereby state it was correct, or maintain it was correct. The review or survey, which the Senator finally admitted when the Senator from Oklahoma corrected him, was with reference to the year 1962, not with reference to the year 1963.

The Senator from Oklahoma maintains that this cannot be effective until it is enacted; that if and when it is enacted it will have an effect immediately, and more so each year thereafter. Therefore, the Senator from Oklahoma says that in his judgment the effect would be far greater in 1963 than in 1962, and that it would be greater in 1964 than in 1963. That is the belief and the conviction of the Senator from Oklahoma. It is not binding on the Senator from Tennessee. I am aware of the fact that it is persuasive with the Senator.

Mr. GORE. Is the Senator aware that the survey by the National Industrial Conference Board of 1,000 leading industrial establishments showed an anticipated increase in outlay of only 1 percent for 1963?

Mr. KERR. No. The Senator from Oklahoma is not aware of that. What outfit was that?

Mr. GORE. The National Industrial Conference Board.

Mr. KERR. Mr. President, I suppose the Senator from Oklahoma will have to live out his life in his unenlightened condition. I do not have the benefit of the surveys of these organizations to which the Senator from Tennessee refers, nor am I bound by them. I must say to the Presiding Officer and to the Senators present that I have struggled and managed to get along pretty well thus far without being sustained by their surveys, advice, and counsel, or their prescription for my Senatorial action and behavior.

I am glad to know the source of those of the Senator from Tennessee. But I was not aware of them. Believe me, I was not. I hope the Senator will not hold it against me.

Mr. GORE. Would the Senator be affected in his opinion by additional facts which could be brought to bear upon this subject, or is he fixed in his opinion?

Mr. KERR. I am pretty well fixed in my opinion, but, I must say, no more so than is the Senator from Tennessee.

I would hope I would never become either impervious to or unconscious or allergic to fact.

I wish to say that I have been amazed at the absence of them on the part of many people.

Mr. GORE. Did the Senator hear, in the testimony before the Senate Finance Committee, the president of American Electric Power Co., Inc., say that a 7-percent tax credit would mean for his company, with respect to plans already made and which would be carried out whether the bill is passed or not, a 30-percent reduction in that company's taxes?

Mr. KERR. The Senator from Oklahoma heard the testimony of Mr. Donald Cook of the American Electric Power Co., Inc. I did know he was the president of it. I will take the Senator's word for that.

What greatly impressed the Senator from Oklahoma about the testimony of Mr. Cook was that he said that the enactment of the law would bring about a great stimulation of construction and expansion of productive facilities by his corporation, and that it would pass on to its customers every penny of benefit it got out of the application of the tax credit.

Therefore, if the Senator is making his position on the basis of the testimony of Mr. Cook of the American Electric Power Co., Inc., he will have to abandon his statement that this would constitute a windfall, because that distinguished gentleman said two things. First, he said that this would cause his company to increase the development of its facilities, to speed up the expansion of construction and development, and to make services available to more people at an earlier date. Second, he said it would result in passing on to the consumers every dollar saved by reason of the operation of the law.

If that is true—and I have no reason to doubt it—it would not be a windfall to the corporation but it would be a benefit to the economy of the area in which the corporation operates and to every consumer it serves.

Mr. GORE. The Senator would not mind, would he, if the junior Senator from Tennessee took with a grain of salt the prospective benefits to American consumers from the investment credit provision?

Mr. KERR. The Senator from Oklahoma does not care what the Senator from Tennessee takes with his intellectual diet. The Senator would say not to take too much, because the Senator from Oklahoma remembers what happened to the wife and daughter of a certain Biblical character who took too much salt.

Mr. GORE. Mr. President, will the Senator yield for one final question?

Mr. KERR. The Senator would yield for a question even if it were not a final question, to his good friend from Tennessee.

Mr. GORE. If it be true, as Mr. Donald Cook testified, that a 7-percent investment tax credit for American Electric Power Co., Inc., would result in a 30-percent reduction in taxes, what, in the informed and enlightened opinion of the distinguished senior Senator from Oklahoma, would a 7-percent tax credit for gas and oil pipelines mean by way of tax reduction for gas and oil pipelines?

Mr. KERR. The Senator from Oklahoma does not have the answer to that question. As he has so definitely made clear on this floor, they are entirely different in operation.

The Senator from Tennessee is aware of the fact that interstate pipelines owned by interstate carriers are subject to the regulatory control of the Federal Power Commission, whose record has demonstrated clearly that it compels these interstate carriers to pass on to their consumers all the savings that they make.

With reference to the testimony of the distinguished Mr. Cook, of American Electric Power Co., Inc., I regret the last observation the Senator from Tennessee made about him. The Senator from Oklahoma was a country lawyer for many years, and one of the first things he learned about the practice of law was that a lawyer could not impeach the testimony of his own witness nor question the veracity of his own witness. I am sorry that the Senator from Tennessee did that with reference to the statement by the distinguished Mr. Cook, whereby he sought to establish a fact by him in one regard and then made the statement that he took with a grain of salt—which I would interpret to mean a good deal of doubt—the other statements by the witness whose testimony he himself brought into the discussion.

Mr. GORE. Mr. President, will the Senator yield for the next final question?

Mr. KERR. Ah, Mr. President, I knew that would not be the last question. I yield for a question.

Mr. GORE. And this will be the last question. If the gas and oil pipelines and electric utilities are going to pass on to the consumers the benefits they receive under the bill, how, then, will those utilities be stimulated to invest more money?

Mr. KERR. Well, I remember, Mr. President, when Mr. Cook was before the committee he made the statement that this credit would result in expanded construction by his corporation, increased service to his consumer customers, and an increase in the base of the industrial development of the area he served. He said it would make that possible and at the same time would make it possible for him to pass on to his consumers the savings which came to him by reason of the application of the credit.

Now, if the Senator from Tennessee does not believe it, or does not understand it as it was so ably given to him by Mr. Cook, who was speaking with reference to his own company and his own operation, I doubt if the Senator from Oklahoma would have the ability to explain it to the Senator from Tennessee in such a way as to make it more easily understood.

But even though I did make it so crystal clear that the Senator from Tennessee understood and believed it, there is great doubt in my mind that he would vote for that provision in the bill.

THE BILLIE SOL ESTES CASE—ATTACKS UPON UNDER SECRETARY OF AGRICULTURE CHARLES S. MURPHY

Mr. MORSE. Mr. President, for some time past I have read in the newspapers, by way of trial by newspaper, criticisms, innuendoes, and attacks upon the Under Secretary of Agriculture Charles S. Murphy relative to the Billie Sol Estes case.

I wish to say at the very outset of the statement I am about to make that I do not know what the facts are in connection with the Billie Sol Estes case with respect to any relationships that anyone in the Department of Agriculture may have had with him, including the Under Secretary of Agriculture, Charles S. Murphy.

I share the point of view that the evidence is pretty clear that Billie Sol Estes has polluted the stream of good government, that he has performed a great disservice to himself, to his family, and to any government officials, who may have unfortunately come under his corrupt influence.

When I have great confidence in a man, based upon years of friendship with him and an opportunity to observe him in many official relationships during my years in the Senate, I do not walk out on him and run for cover when he is subjected to trial by newspaper. For me the test of friendship, in part, arises when a friend is under attack. One should then make known what he knows about that friend.

This does not mean that when one makes known what he knows about a friend, he therefore underwrites anything about which he does not know. Nor does it mean that any proof or solid evidence which may be developed ought be ignored.

But I wish to say, as I make my comments about the Under Secretary of Agriculture today, that all my experiences with Mr. Murphy over the years have led me to believe that I have been dealing with a fine Christian gentleman of great integrity, of dedication to the public service, and of complete honesty in carrying out the obligations of whatever Government post he has held.

In the capacity of a character witness this afternoon on the floor of the Senate, I wish to make that statement about the Under Secretary of Agriculture, Charles S. Murphy. I am glad that at long last he will have an opportunity to testify in person today before an appropriate Senate committee which is looking into the Billie Sol Estes case.

But I think Mr. Murphy is due from those who have been closely associated with him in various official relationships the statement that I now make. I believe that Charles S. Murphy is an honest man of great integrity. He has served his country in post after post in a dedicated fashion. It may very well be that by negligence or oversight he has made some mistake, although I doubt it. But I shall follow where the facts lead in that respect, as I seek to follow where the facts lead in respect to all issues which come before me in the Senate.

I know Charles S. Murphy. I know the great services he rendered the people of our country and this Government during the war. I know of his services under the Truman administration.

When I saw in newspapers the many innuendoes and snide attacks upon him which would be best characterized as smear tactics that are commonplace in American journalism, I proceeded to make such inquiry as I could in regard to Charles S. Murphy. I satisfied myself that unless there is some evidence of which I have not been made aware, Charles S. Murphy has been victimized in recent weeks. I do not stand by in silence when I feel that a wrong may be done to a friend.

Mr. President, I wrote a letter to a group of mutual friends of Mr. Murphy. I shall read a copy of that letter:

> Under Secretary of Agriculture Charles S. Murphy is a longtime personal friend of mine. His record of dedicated honest public service has been outstanding. However, I am concerned about the impression which may have been created as a result of his name being drawn into the discussion of the Billie Sol Estes case.
>
> Therefore, I shall appreciate it if you will send me very promptly for public use on the floor of the Senate, if it becomes necessary for me to make a speech in his defense, your evaluation of him and his service as Under Secretary of Agriculture.
>
> With kind personal regards,
>
> Sincerely yours,
>
> WAYNE MORSE.

For the next few minutes I propose to discuss some of the replies which I received to my letter. First, I should like to put into the RECORD some biographical material in regard to Mr. Murphy as an individual and in his capacity as a public servant.

CHARLES S. MURPHY

Charles S. Murphy is the No. 2 man in the administration of the Department of Agriculture, and has a general supervisory function for all its activities and agencies. These agencies include the Agricultural Stabilization and Conservation Service and 15 others.

In addition to the general supervisory functions, he has been assigned special responsibilities.

He has direct supervision of the Foreign Agricultural Service. This includes responsibility for the Department's activities in maintaining and expanding sales of U.S. agricultural commodities in foreign markets as well as administration of a major part of the food-for-peace program under Public Law 480.

Mr. Murphy is chairman of the Budget Committee of the Department of Agriculture and President of the Commodity Credit Corporation.

He has been assigned special responsibility for supervising the commodity programs of the Department. This includes fixing support prices and acreage allotments for tobacco, rice, peanuts, cotton, wheat, feed

grains, and other commodities. It also includes policies relating to management and disposition of Government stocks of agricultural commodities, and the purchase and distribution of commodities for the school lunch program as well as the direct distribution program for providing foods to needy persons.

Under Secretary Murphy coordinates and reviews the Department's staff work on major legislative proposals and reviews all departmental reports on legislation, of which there are about 800 each year.

He is a member, and usually acts as chairman, of the Program Review Board of the Department and also supervises its extensive civil defense activities.

He reviews all marketing orders and marketing order amendments before they are issued. There are several hundred of these each year.

Mr. Murphy is the Department's representative on the Trade Policy Committee, which is the Cabinet committee responsible for making recommendations to the President on foreign trade matters.

He serves as Acting Secretary in the absence of the Secretary of Agriculture.

Mr. Murphy is a former special counsel to President Harry S. Truman. He also is a former assistant legislative counsel to the Senate, and in this position specialized in drafting agricultural legislation.

Since 1953 he has practiced law in Washington, D.C. His residence is Annapolis, Md.

Mr. Murphy was born August 20, 1909, in Wallace, N.C., where he attended public schools. He received an A.B. degree from Duke University at Durham, N.C., in 1931 and an LL.B. in 1934. He worked his way through school as a laborer and clerk in the post office. He was admitted to the North Carolina bar in 1934.

In 1934 he became a law assistant in the Office of the U.S. Senate Legislative Counsel, serving in this post for 2 years. For the next 11 years he was assistant legislative counsel to the Senate.

His duties were to help Senators and senatorial committees draft bills and committee reports, and to advise them on legal matters.

Many of us who served in the Senate during the tenure of Charles Murphy as legislative counsel know what an able lawyer he is and know what a dedicated servant he is to the public weal. I am sure many in the Senate share my very high appraisal of this fine man.

As a specialist in agricultural legislation he helped draft the Agricultural Adjustment Act of 1938, prepared committee reports on agriculture, and assisted in the drafting of other important farm bills.

In 1947 he became administrative assistant to President Truman. In 1950 he was advanced to the position of special counsel to the President, where he acted as the principal staff assistant on legislation—including farm legislation.

Since 1953 Mr. Murphy has practiced law as a member of the Washington, D.C., firm of Morison Murphy, Clapp & Abrams. He was admitted to the Supreme Court bar in 1944 and to the District of Columbia bar in 1947. From 1957 to 1960 he was counsel to the Democratic National Advisory Council.

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

Mr. MORSE. I yield.

Mr. BURDICK. I wish to say that I, too, have known Charlie Murphy since the days of the Truman administration. I have know him as an able lawyer and able administrator, and as a man of unimpeachable integrity. I am happy this afternoon to associate myself with the remarks of the Senator from Oregon.

Mr. MORSE. I thank the Senator from North Dakota very much. The Senator comes from a great agricultural State. He is one of the great leaders in the Senate and in the solution of agricultural problems. He is familiar with the agricultural record of Charles Murphy. I am not surprised, but I am certainly pleased to know that he shares my evaluation of Mr. Murphy.

During the 1960 national campaign he was an adviser to Senator LYNDON B. JOHNSON, now Vice President.

Mr. Murphy operates a 750-acre farm—with tobacco as the principal crop—near Durham, N.C., with a brother, R. B. Murphy, who lives on the farm and manages it.

The Under Secretary is a member of the American Bar Association, the North Carolina Bar Association, the Federal Bar Association, and the District of Columbia Bar Association. From 1956 to 1958 he was president of the National Capital Democratic Club. He also belongs to the Order of Coif, which is the honorary scholastic fraternity of the legal profession in standard law schools of the country; Delta Sigma Phi; Pi Gamma Mu; and Omicron Delta Kappa.

Mr. Murphy married Kate Chestney Graham, of Durham, N.C., in 1931. They have three children. One daughter, Courtenay, is married to Whitney Slater and lives in Arlington, Va. Westbrook, their 20-year-old son, is a junior at Duke University. Another daughter, Betty, 12, lives at home. She attends Annapolis Junior High School.

Mr. President, in the last few months there has been considerable comment in the press concerning Mr. Murphy. On August 24 he issued the following statement in regard to some of these press stories. I quote that statement, as follows:

In the past few days, there has been considerable comment in the press concerning my part in the handling of the business of the Department of Agriculture relating to the affairs of Billie Sol Estes, now under investigation by the Senate Committee on Government Operations. On July 3, 1962, I requested an opportunity to appear and testify before the committee on this matter. I am sure that opportunity will be accorded to me in time, and that principles of fairness and justice will preclude any conclusions or judgments until I have had that opportunity.

All of the matters which I dealt with concerning Estes came to me in the normal course of my duties as Under Secretary of Agriculture. I dealt with all of them strictly on the merits as I saw them. No pressures or improper influences had any effect on my decisions. When this case came to my attention in the fall of 1961, it was extremely complex and difficult under the legal and administrative law principles involved. It was handled by me solely with the twofold objective of protecting the interest of the Government and affording fair and equitable consideration to the rights of private citizens. It is the essence of free, democratic government that the rights of every citizen be protected.

I believe the record shows that, notwithstanding the difficulties, we did succeed in accomplishing our objective of fully protecting the interest of the Government while giving due consideration to the rights to which all citizens are entitled.

Mr. President, as I said, I do not purport to know what may have transpired in the Department of Agriculture, in any office, including Mr. Murphy's, or in any other, with regard to the Billie Sol Estes case. However, I certainly would not be able to live with my conscience seeing a friend of mine under the type of attack which Mr. Murphy has been subjected to in the recent past, if I remained silent for any reason, including the possibility that speaking out in defense of a friend might ultimately result in some kind of reflection upon me, because he might conceivably be found guilty of some sort of negligence.

I speak today, when public opinion eyes will be focused on Mr. Murphy as he testifies before the Senate committee, because, in my judgment, a friend stands up for a friend when he is satisfied that his association with that friend justifies the kind of high opinion and esteem that I have for the integrity of Mr. Murphy. I am glad that others share my point of view concerning the character and integrity and the devoted public service of Mr. Murphy.

Yesterday I had a rather long long-distance telephone conversation with one of the great Americans of our history, a former President of the United States, the incomparable Harry S. Truman. We talked about Mr. Murphy. I paraphrase him, but accurately, when I say that ex-President Truman authorized me to say on the floor of the Senate this afternoon that he knows Charles Murphy to be an honest man through and through. That, of course, is typical Truman language. He went on to discuss the great services that Charles Murphy rendered to him in his White House appointment capacity when he was President of the United States. He left no room for doubt in my conversation with him yesterday of his complete confidence in the honesty, integrity, and character of Charles S. Murphy.

One of the letters that I wrote—they were identical in composition and I have already read it into the RECORD—was one addressed to Mr. Herschel D. Newsom, master of the National Grange. I have the following reply from him:

Hon. WAYNE L. MORSE,
U.S. Senate:

We are happy to know that you intend to express in the Senate your confidence in Under Secretary of Agriculture Charles S. Murphy. Counsel of National Grange and I have known Charlie Murphy for many years both in and out of public office as an able, sincere, and conscientious lawyer and administrator of unimpeachable integrity. We believe that he is serving our farmers and all of our people well and faithfully as Under Secretary of Agriculture and that you are to be commended for bringing this fact to the attention of the Senate.

HERSCHEL D. NEWSOM,
Master of the National Grange.

Mr. President, I received a reply from Alexander Nunn, of the Progressive Farmer, which reads as follows:

I have worked rather closely with Charles Murphy for the last 2 years. I have found him completely honest, fairminded, and alert—a thoroughly dedicated public servant. He has an invaluable background of experience combined with good judgment.

He inspires confidence and teamwork. We cannot afford to lose him from Agriculture.

ALEXANDER NUNN,
Executive Editor, Progressive Farmer.

Mr. President, I also have another communication from Alexander Nunn, executive editor of the Progressive Farmer. The letter is dated August 27, 1962, and is a copy of a letter which he wrote to a colleague in the Senate. However, Mr. Nunn authorized me to read the contents of the letter. I shall not read the name of the colleague unless at a later hour he authorizes the use of his name.

Mr. ERVIN. Mr. President, will the Senator from Oregon yield?

Mr. MORSE. I yield.

Mr. ERVIN. I do not know whether the Senator is referring to me or not. This morning I received a letter from Mr. Harry B. Caldwell, of my State of North Carolina, concerning Charlie Murphy. I do not know whether I am the Senator to whom the Senator from Oregon has referred.

Mr. MORSE. Not in this letter. I do have a copy of the letter to which the Senator from North Carolina refers. I was about to refer to the other letter, but without using the Senator's name.

Mr. ERVIN. If the Senator from Oregon is referring to me, he is at perfect liberty to use my name.

Mr. MORSE. I would expect that courtesy from the Senator from North Carolina. But in my position, I am certain the Senator from North Carolina would do exactly what I am doing now. I shall not use the name of our colleague without his permission. I am merely trying to get views into the RECORD.

Mr. ERVIN. I received a letter from Mr. Caldwell this morning. He has done outstanding work for agriculture in North Carolina. He told me he was sending a copy of his letter to me to the Senator from Oregon.

Mr. MORSE. I appreciate the Senator's statement.

In his letter to our colleague, whose name I shall not mention, Mr. Nunn wrote as follows:

For several months now I have been greatly concerned about what might happen to the Department of Agriculture as a result of all of the publicity that has been given to the Billie Sol Estes case. I have been concerned about the public's reaction to all of the publicity from every possible source but I have also been quite sure that there were those who would seek to take advantage of the situation and thus to injure the Department and farm programs in any way they possibly could. I am still strongly of that mind. The letter attached, which was sent to the White House some weeks ago by our senior editors, covers the broad points that I would stress today if I were writing to anyone else.

I think I have said to you personally that in my judgment we have the best team in the Department that we have had in my lifetime to serve not only the South but our entire Nation. As you know, I have worked rather closely with most of the keymen in the Department since President Kennedy was inaugurated early in 1961. It was also my privilege to be associated with several of the men who later became team members in the Department at an even earlier period. In my judgment, the men whom Secretary Freeman has as his chief associates are experienced, widely informed, and thoroughly dedicated individuals. I believe that they are seeking to do the best possible job for the farmers of America and for the Nation from day to day. They are public servants in the best sense of that phrase.

At some appropriate time I hope that you may see fit to speak a strongly favorable word for the Secretary and his team.

Sincerely yours,

Alec
ALEXANDER NUNN.

Mr. MORSE. Mr. President, I ask unanimous consent to have printed at this point of the RECORD the text of the letter to which Mr. Nunn referred, which was addressed to the White House under date of July 23, 1962, and is signed by the president and editor in chief, the executive editor, and the editors of the Progressive Farmer.

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

THE PROGRESSIVE FARMER,
Birmingham, Ala., July 23, 1692.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: For months now we have watched with concern and growing alarm the attacks on the U.S. Department of Agriculture, Secretary Freeman, and his staff. Some of the opposition we have recognized as the ordinary maneuvering of "outs" against any administration; some has without doubt been an expression of either honest differences of opinion or of misunderstanding. But we are convinced that much of it is a vicious, deliberate, and carefully organized attack that would not stop if every USDA decision were perfect. It would go on under any other Secretary who seeks to improve the economic lot of working farmers and their bargaining power in the highest interest of the Nation's future and for the benefit of all our people.

Fundamentally, we think it is nothing less than an unwillingness to face up to the needs of agriculture and of the Nation today and, even worse, it appears to be a willingness to pursue policies that could be extremely dangerous to both. We want you to know therefore how Progressive Farmer's editors feel.

We believe that Secretary Freeman and his associates are doing more than any other USDA team in our lifetime to fight skillfully and effectively the battles of working farmers. We can say that and still add that we have not agreed with all the decisions that have been made. We think that no other team could have done a better job of improving agriculture's public relations. The team has been outstandingly aware that we must meet the conditions of today and plan for the future—not live in the past. We have a USDA team that seeks to take the full advantage of our unprecedented farm skill and know-how to improve the lot of farm people to the great gain of our entire Nation and to further the hope of world peace. If that is not the kind of USDA team we want, do we really want to protect our future? Secretary Freeman has shown a dynamic quality of leadership that we so badly need; he challenges and inspires his associates. He and his team justify your enthusiastic and continued support.

The Progressive Farmer itself will seek to continue to use its full resources to inform and to keep up to date its 1,400,000 rural subscriber families from Delaware to New Mexico. We have also determined during a weeklong policy conference just closed to fight still harder for fair, intelligent, and foresighted national farm policies.

Very truly yours,

Eugene Butler, President and Editor in chief; Alexander Nunn, Executive Editor; Joe A. Elliott, T. P. Head, Ed Wilborn, C. G. Scruggs, and O. B. Copeland, Editors.

Mr. MORSE. Mr. President, this morning I received a letter from Mr. Caldwell, of North Carolina, enclosing a copy of a letter to the Senator from North Carolina [Mr. ERVIN] who has just authorized me to refer to the fact that Mr. Nunn enclosed in the letter to me the copy of the letter which he sent to the Senator from North Carolina. The letter to me, dated August 27, reads as follows:

GREENSBORO, N.C., *August 27, 1962.*

Hon. WAYNE MORSE,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MORSE: Your letter dated August 22, 1962, has been received. I am pleased to enclose copy of a letter written by me to Senator SAM J. ERVIN, Jr., which sets forth my feelings about the attacks against the farm programs, Secretary Freeman, and Under Secretary Murphy. It is my feeling that these assaults, many of which were launched soon after their appointment, are a part of a well-planned scheme to destroy public support for effective farm programs.

It has been my privilege to confer with Mr. Murphy on numerous occasions since he was named to fill this important position. He has good judgment, is a tireless worker, and a man of ability. I have been impressed by his patience and by his efforts to get full and accurate information in performing the duties assigned.

I regard Mr. Murphy as a capable and dedicated public servant.

Sincerely,

HARRY B. CALDWELL.

The letter to the Senator from North Carolina reads as follows:

AUGUST 27, 1962.

Hon. SAM J. ERVIN, Jr.,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SAM: I have been concerned, as you know, for some time by the repeated attacks on the U.S. Department of Agriculture, Secretary Freeman, Under Secretary Murphy, and members of the staffs. These attacks are creating a false image of the Department, its outstanding service to the Nation and jeopardizing public support for essential farm programs. Some of this criticism undoubtedly stems from individuals who oppose realistic farm programs and the vigorous efforts made by this team to secure measures that will cut Government costs and at the same time increase the income of farmers.

I have been privileged to participate in numerous conferences with these men and I have been impressed with their painstaking efforts to get the facts before reaching a final judgment on any important matter coming before them for a decision.

I have heard many individuals from both political parties who likewise have had opportunities to work with them commend them for the manner in which they are discharging their responsibilities. This does not mean that agreement on every decision was reached, but it does reflect the confidence of these individuals in the men themselves.

Public confidence in programs essential to agriculture and the Nation would be

strengthened if you and others in a similar position would make some public statements in support of the programs and the accomplishments of the U.S. Department of Agriculture under the leadership of this team.

With kindest personal regards, I am

Cordially,

HARRY B. CALDWELL.

Mr. President, I have also received a letter, in answer to my letter of August 22, from Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association, dated August 27, 1962. The letter reads as follows:

AUGUST 27, 1962.

Senator WAYNE MORSE,
Old Senate Office Building,
Washington, D.C.

DEAR SENATOR MORSE: This is in response to your inquiry of August 22 concerning my evaluation of Charles S. Murphy as a public servant.

I have known Charlie Murphy personally for many years, since he was an assistant to President Truman. I have known and worked with him since he has been Under Secretary of Agriculture. In my opinion, Charlie Murphy is a man of unquestionable integrity, of great ability, and of complete dedication to the public interest.

I know nothing of the facts involved in the recent newspaper stories, but if Mr. Murphy made a mistake—and don't we all make them?—I am sure in my own mind it was an honest one.

The American farmer is in serious trouble. Mr. Murphy is one of his ablest and most devoted friends. In my opinion, it would be a sad day for the farmers if anything should interfere with Murphy's continuous efforts in their behalf.

Sincerely,

CLYDE T. ELLIS,
General Manager.

Mr. President, I wrote to the chairman of the Committee on Agriculture and Forestry, whose dedication to and honesty in government, in my judgment, is not surpassed by that of any other Member of the Senate. He is one of our great Senators. He knows and understands the problems in the Department of Agriculture. Under date of August 22, I wrote to him the same letter I wrote to the others. Under date of August 24, I received the following reply from Senator ELLENDER:

U.S. SENATE,
COMMITTEE ON AGRICULTURE
AND FORESTRY,
August 24, 1962.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR WAYNE: I have your letter of the 22d, and I too am sorry that the name of Mr. Charles S. Murphy has been mentioned in the Billie Sol Estes case.

Be that as it may, I have known Charlie Murphy for over a quarter of a century, and in my dealings with him I have always found him to be an able and conscientious public servant. Since his appointment as Under Secretary of Agriculture, I have had occasion to contact him very often, and in all instances he has proven himself fair and most cooperative. So far as I know, his conduct has been beyond reproach.

With kindest personal regards and best wishes, I am,

Sincerely,

ALLEN J. ELLENDER,
U.S. Senator.

I also wrote to the Secretary of Agriculture, because I have taken it for granted—and I am sure I have been justified in doing so—that if the Secretary of Agriculture or if the President of the United States or if any of Mr. Murphy's superiors had the slightest reason to believe that Mr. Murphy as Under Secretary of Agriculture was guilty of any conduct which in any way interfered with the proper performance of his duties in that office, they would long before this have taken action in regard to it.

I received the following reply from the Secretary of Agriculture:

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, August 27, 1962.

Hon. WAYNE MORSE,
U.S. Senate.

DEAR WAYNE: I welcome the opportunity to respond to your request of August 22 for my evaluation of Charles S. Murphy and his services as Under Secretary of Agriculture. His outstanding record of ability and integrity in the public service was the reason why I urged him to accept the position he now holds. In that position he has demonstrated a capacity for work, a devotion to duty, and a dedication to the public interest that merit the respect and gratitude of the people of this Nation.

Ever since his appointment I have relied upon the Under Secretary to perform the multitude of duties required by that office and to carry out responsibilities far more numerous, complicated, and difficult than constitute a normal load for any Government official. Mr. Murphy has effectively carried out these responsibilities with utmost integrity and steadfast devotion to duty.

His able and skillful management and operation of the commodity programs of this Department, his handling of numerous administrative problems, his leadership in planning and programing, and his performance of the many other functions that have been assigned to him constitute a service the value and importance of which is far too little recognized. His effectiveness in developing excellent relationships with other executive agencies and the legislative branch of Government has been of immeasurable value.

I share your confidence in Charles S. Murphy, and I believe that all who know him and who are familiar with his work deeply appreciate his high ability and complete integrity as well as his consistent concern for American principles of justice and fairplay and the best interest of the Nation.

Sincerely yours,

ORVILLE L. FREEMAN.

Mr. President, I have also received a reply to my letter from the president of the National Farmers Union, Mr. James Patton. It reads as follows:

NATIONAL FARMERS UNION,
Denver, Colo., August 25, 1962.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MORSE: I am deeply concerned about the grossly erroneous and completely unfair innuendoes concerning Charles S. Murphy, the Under Secretary of Agriculture, which have been emanating recently from the hearings of the Senate Committee on Government Operations of the Billie Sol Estes affair.

It seems more than a happenstance that public attention is being focused by these hearings upon Mr. Murphy. This appears to have resulted from allowing a witness to express his own farfetched inferences, opinions and deductions drawn from his own fabrications of hearsay in its most obnoxious form. No court of law in this Nation would admit or consider the hearsay statements of Tom Miller relating to Mr. Murphy and no court in the free world would have permitted the expression of Miller's deductions or inferences based upon such hearsay of his own manufacture. Yet, this hearsay and these inferences are the sole foundation used by some for an attack upon the reputation of one of the finest and most competent public servants this country has ever known.

Mr. Murphy's personal integrity in public life or otherwise is beyond question. His intelligence and judgment has been brought to bear on questions of great importance to this Nation with resulting great value. His loyalty, in every sense of that term, including devotion to the administrative duties assigned him, is unimpeachable. His capabilities and superior judgment are a model to all public employees. To now hold out such a fine American citizen to public scorn for several weeks without affording him an opportunity to make a statement in his own behalf violates every sound tenet of our American ethical code. I am particularly shocked that the committee has permitted wide circulation of unfounded innuendoes and accusations before it has given Mr. Murphy the opportunity to speak.

I realize that you are not a member of this committee but because of your well-known hatred of injustice and unfair attack, I am respectfully calling upon you to speak out at the appropriate time in support of this fine public servant. It has always been difficult to recruit persons of the caliber of Charles Murphy for public service for these posts of high responsibility. Such public use of "information" developed in these proceedings only makes the job of running this Government more difficult.

Everyone I talk to is as incensed as I, but have a sense of futility about what they can do to rectify this gross wrong. We look to you and other like-minded Senators to speak our deep-felt opposition to the obviously unwarranted personal attack on Charles S. Murphy.

Best regards,

JAMES G. PATTON.

WAYNE, I am very happy that you are speaking out.

Mr. ERVIN. Mr. President, I must go to a committee meeting. I wonder whether the Senator from Oregon may be permitted to yield to me for a brief statement, without losing his right to the floor.

Mr. MORSE. Mr. President, under these circumstances I am delighted to yield.

The PRESIDING OFFICER (Mr. HICKEY in the chair). Without objection it is so ordered.

Mr. ERVIN. I am a member of the subcommittee which has been conducting the investigation, and I have listened to all the testimony. I see nothing in the testimony for which Mr. Murphy can be justly criticized, unless love of fair play and due process of law has departed from the hearts of the American people.

The criticism being leveled against Mr. Murphy is based fundamentally on the fact that he held in abeyance the cancellation of the 1961 cotton allotments which had been transferred to certain land in Texas formerly owned by Billie Sol Estes, on the request of Billie Sol Estes and his attorney that before final action was taken, they be given an opportunity to present their side of the case, and to show, if they could, that the transactions were bona fide. Therefore, what was done by Mr. Murphy in that connection was, in my judgment as a lawyer, consistent with the highest traditions of American respect for fair play and the

giving of a man an opportunity to be heard before he is condemned.

In other words, Mr. Murphy's action was required by what we call due process of law, which Daniel Webster so well said, in the Dartmouth College case, is a law which proceeds upon inquiry, and renders judgment only after notice and an opportunity for a hearing. That is what Mr. Murphy did.

The criticism of him is largely based upon events which transpired after Mr. Murphy took his action.

The whole thing reminds me of a play in which one of the leading parts was that of a French doctor. He was called out of his bed at a very late hour at night, to officiate at the delivery of a baby. He missed his sleep, and he returned home after breakfast. His wife was commiserating with him over his loss of sleep and his loss of the opportunity to have his breakfast; and she asked him, "Was the delivery a hard delivery?"

He replied, "Yes; it was most difficult."

She expressed her compassionate concern over the difficulties he had encountered.

But the doctor replied, "Well, it was worth all the trouble, because the baby I have just delivered is Victor Hugo, who is destined to be a great writer of France."

The criticism in this case is based on Mr. Murphy's alleged lack of prophetic powers in connection with events which would occur in the future.

I wish to commend the Senator from Oregon for what he has said in Mr. Murphy's behalf. I have been privileged to know Mr. Murphy, who is a native of my State, for many years. I do not know of any human being who possesses a higher degree of integrity than does he.

Mr. MORSE. Mr. President, I thank the Senator from North Carolina for his great testimonial—for it can properly be so characterized. It has come from a Member of the Senate who probably is in the best position to say what he has said, because not only does he know Mr. Murphy as one of the two North Carolina Senators, and not only has he had many associations with Mr. Murphy in North Carolina relationships, but, in addition, the Senator from North Carolina is a former justice of the North Carolina Supreme Court, and he knows what due process is, and he is familiar with the requirements of fair procedure. Not only has he expressed his personal opinion in regard to the character and the dedicated public service of Mr. Murphy, but the Senator from North Carolina has also given here on the floor of the Senate an unanswerable legal opinion, in my judgment, because what he has said as a member of the committee itself is that Mr. Murphy has insisted upon a fair hearing and has insisted upon the application of the principles of due process in connection with the consideration of the Billie Sol Estes case, as he would in connection with the consideration of any other case.

It all adds up to the fact that we simply must insist that all the facts are before us before any judgment is rendered. This is the very essence of judicial process in this country. If those who render decisions did not insist on that kind of implementation in the administration of justice, then, Mr. President, you and I would not have any legal rights, because whenever those in positions of decision do not carry out, as the Senator from North Carolina [Mr. ERVIN] has so clearly implied and stated here this afternoon, the guarantees of due process, then we are rightless people. We have lost the rights so cherished and precious to freemen.

I want to thank the Senator from North Carolina [Mr. ERVIN] from the very bottom of my heart for doing what any of us who know him would expect him to do—to have the courage to stand up here this afternoon to bespeak his keen concern over what has been said about Mr. Murphy and his relations to Billie Sol Estes.

I yield now to the Senator from Minnesota [Mr. HUMPHREY] with the same understanding that I do not lose my right to the floor.

Mr. HUMPHREY. Mr. President, first, I wish to commend the Senator from North Carolina for what I consider to be one of the most profound statements with respect to due process and justice under law that I have heard in this body. I think the RECORD should note that two of our most experienced legal minds in the Senate have taken the position that Mr. Murphy has acted within what we call due process of law and administrative procedures in the actions that are now under investigation.

I also wish to say that I have known Mr. Murphy for a number of years as a friend, as a Government official, and as a lawyer. His record is without blemish. He has demonstrated through years of public service a faithfulness to public duty which should commend him to anyone.

There is a tendency these days in American public life to make a judgment before the evidence is in. As the Senator from Oregon and the Senator from North Carolina have pointed out, Mr. Murphy has not had a chance to defend himself against charges and counter charges, many of which contradict themselves, leaving Mr. Murphy as the sort of fall guy, or as they say in the vernacular, holding the bag.

I only hope, before a judgment is rendered, one who has given so many years to public life, and has taken on so many responsibilities in two administrations, will have a chance to be heard and show his record, word, and performance.

Every one of us has called upon administrative officers to review cases for constituents. Do not forget that. I cannot help but express a note of concern that administrative officers who are asked, at the request of Senators or Representatives, to do something, may later be accused of having given a special privilege or favor, when there was no such desire on the part of either the Member of Congress or the administrative officer. I have had citizens from my State come to my office. I do not have a chance to give them a political blood test, or run them through a test of morals and character. If they come in as responsible citizens so far as I know, and ask me to do something for them that seems to be within the spirit and intent of the law, I pick up the telephone, call up the apropriate officer, and ask, in my name as a Senator of the United States, if something can be done. If those officers do not give us at least a friendly response, we are the first to criticize them. If they look into the question and try to ascertain whether or not something can be done, and later on we find the constituents were unworthy or were crooks or were violating the law at least in spirit, we point at the administrative officer.

I think we ought to recognize that we all share the burdens and responsibilities of government, and it is not fair to single out a man, before he has been heard, for any unfair condemnation or treatment.

I make this statement after hearing two Senators speak for Mr. Murphy. I did not know his name was going to be mentioned. I have been disturbed over the fact that his name has been mentioned in the press, and he has not been given a chance to reply. Perhaps he now will be given a chance.

I express my respect to the able Senator from Oregon for his willingness to speak out in this matter, and to the Senator from North Carolina, who is a member of the committee that heard some of the evidence. The Senator from North Carolina is a jurist second to none, and as a lawyer he has a sense of fair play. Their testimony means much to me, and I know it will to Mr. Murphy.

Mr. MORSE. I thank the Senator very much for the statement he has made. I expected it of him. I appreciate it. I am sure it has greatly strengthened the record I am seeking to make here this afternoon.

Mr. President, I have two more letters I wish to read, and then will yield the floor. I express my appreciation to the Senator from Nevada [Mr. CANNON] and the Senator from Virginia [Mr. BYRD] for their cooperation in making it possible for me to make this statement.

The next letter is one also in reply to my letter of August 22. It is dated August 27, 1962, and reads as follows:

NATIONAL COUNCIL OF FARMER COOPERATIVES,
Washington, D.C., August 27, 1962.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MORSE: I have discussed your letter of August 22 with leaders in our organization who feel that we should heed Mr. Murphy's own appeal that no conclusions be drawn with respect to his official action in the Estes case until he has been heard.

I feel this is a wise admonition and one which is in line with our mutual friend's being willing to let the facts speak for themselves.

Kindest personal regards.

Sincerely,

HOMER L. BRINKLEY,
Executive Vice President.

My last letter, one I received from Claude R. Wickard, former Administrator of REA, and recognized as one of the great agricultural leaders of our time and our century, reads as follows:

DEAR SENATOR: As a member of President Kennedy's National Agricultural Advisory Commission, I have been in a good position

to observe the outstanding public service of the Honorable Charles S. Murphy in his position as Under Secretary of Agriculture. He is performing the duties of this office with efficiency, effectiveness, courtesy, and in keeping with the highest ethics.

His service is exactly the kind to be expected from a man of great ability, a deep sense of responsibility of public office, and the highest integrity.

In acknowledgment of your own honorable record of public service and with very best wishes, I am,

Most sincerely yours,

CLAUDE R. WICKARD.

I took these few moments today to make this statement in behalf of Mr. Murphy out of my sincere friendship for him, as I said at the beginning, my personal knowledge of his record in many official capacities, and my satisfaction of his dedication to the public interest. I did it because, finding a friend in whom I had the confidence that I have in Mr. Murphy, under the type of public attack being made, I could do no less.

I want to say, as I close, I will sleep better tonight with my conscience than I would have if I had hesitated or failed to speak out when a friend is under attack.

Mr. SPARKMAN and Mr. CARROLL addressed the Chair.

Mr. MORSE. I yield first to the Senator from Alabama. Then I will yield to the Senator from Colorado.

Mr. SPARKMAN. I commend the Senator from Oregon for speaking as he has. I have followed the press reports from time to time. I often wondered when Charlie Murphy was going to be given an opportunity to answer these charges.

I have known Charlie Murphy for a great many years. I have known him to be a man of ability, a man dedicated to whatever work he undertakes.

I understand the Senator has put some letters into the RECORD.

Mr. MORSE. May I interrupt the Senator a moment? The Senator was not in the Chamber, and I said that I was going to put in the RECORD a copy of a letter which was sent to a colleague of mine, but because I had not had an opportunity to talk to that colleague I was omitting his name from the RECORD. I am ahead of the Senator, I think. I believe he is about to refer to the letter. The letter is in the RECORD, but the Senator's name was not used in connection with it, because I would not deal with my colleagues in that way.

Mr. SPARKMAN. I was going to ask the Senator to permit that letter to go into the RECORD, because it is a fine letter. I am not sure the Senator identified the writer.

Mr. MORSE. Yes, I identified the writer. I think the letter ought to be in the RECORD now, offered by the Senator from Alabama, himself. My previous reading of it, I believe, should stand, because I made certain comments at the time I read it, but I would appreciate it very much if the Senator would insert the letter in the RECORD at this point.

Mr. SPARKMAN. The letter to me was from Alexander Nunn, who is the executive editor of the Progressive Farmer. The Progressive Farmer is one of the leading farm publications. It is one of the best farm publications in the entire United States.

Mr. Nunn, who is a friend of mine, a citizen of my State, has written a very strong letter to me. I presume that is the letter the Senator put in the RECORD.

Mr. MORSE. Yes.

Mr. SPARKMAN. Did the Senator put in the RECORD a copy of the letter which the editor of the Progressive Farmer wrote to the President?

Mr. MORSE. Yes. I put that letter in, too.

Mr. SPARKMAN. I am glad the Senator did.

I should like to read one sentence, for I think it is significant.

We believe that Secretary Freeman and his associates are doing more than any other USDA team in our lifetime to fight skillfully and effectively the battles of working farmers.

The letter is signed by the entire editorial board of the Progressive Farmer.

Mr. MORSE. I thank the Senator from Alabama very much. I appreciate his statement. I hope he will understand why I did not use his name heretofore, since I did not have his permission to do so.

Mr. SPARKMAN. That is very fine. I am glad the Senator put the letters in the RECORD.

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

Mr. MORSE. Mr. President, I yield to the Senator from Colorado with the understanding that I shall not lose my right to the floor by so doing, although I will seek to give up the floor as soon as I can.

Mr. CARROLL. Mr. President, I rise also to commend the able Senator from Oregon. I have not heard his full presentation about Charles Murphy, but I assume he has been discussing the background of Charles Murphy. I believe he, years ago, was a legislative draftsman for the U.S. Senate.

Mr. MORSE. He was assistant general counsel in our legislative drafting service.

Mr. CARROLL. That was my impression. Some 10 years ago I first knew Charles Murphy intimately, when he was a special counsel for President Truman. I can say without hesitation or equivocation that I have never met a more conscientious public servant. He was a quiet and studious scholar, on the legislative side of the President. He was not, as we used to say in those days, on the political side of the White House, rather he was on the counseling side, the legislative drafting side. He was a quiet, unassuming, intelligent man, a dedicated public servant of excellent character and integrity.

I, too, have wondered, as I have read the articles in the newspapers, when Charles Murphy would be given an opportunity to be heard, to present his side of the case. I am happy to be able to say that as I walked through the corridors toward the Senate Chamber today I accidentally met the chairman of the permanent Subcommittee on Investigations [Mr. MCCLELLAN] and I asked, "When is Charles Murphy going to be given an opportunity to testify?" He said, "This afternoon. There is one other witness to appear before him, and Charles Murphy will be second." I have forgotten the name of the first witness.

Mr. MORSE. I have pointed that out.

Mr. CARROLL. I am happy that the Senator from Oregon has done so.

I wish to associate myself with the Senator's remarks. I think this is the time to speak. When we find men we know to be dedicated public servants, we should try to help lay the foundation; to help pave the way for a fair hearing, so that they may present their testimony fully. They should not be prejudged, but should be given a fair opportunity to present their side of the matter.

I join with the Senator from Oregon in this presentation, which he has made in his usual courageous fashion.

Mr. MORSE. I thank the Senator from Colorado very much. He states my case more eloquently than I can myself.

Mr. President, I yield the floor.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. BYRD of Virginia. Mr. President, it is the understanding of the Senator from Virginia that it is in order to offer an amendment to the pending bill to strike the investment tax credit provision, and that such an amendment will be the pending question. I offer the amendment on behalf of myself and other Senators.

The PRESIDING OFFICER (Mr. HICKEY in the chair). The amendment will be stated for the information of the Senate.

The LEGISLATIVE CLERK. On page 8, beginning with line 8, it is proposed to strike out all through line 16 on page 38.

Mr. BYRD of Virginia. Mr. President, I have already discussed this amendment at length. I will make a very brief additional statement.

I wish to state again that I am opposed to the investment credit because it is discriminatory, because its value and its need as a stimulant to the so-called economic growth are both questionable and doubtful, and because it would substantially increase the budget deficit.

Since the bill passed the House, the administration has issued regulations substantially expediting depreciation deductions. This, it is estimated, will lose $1.5 billion of tax revenue. The investment credit would reduce the revenue by $1.2 billion, thus making a total of $2.7 billion, all of which, as it now appears, probably would be added to the public debt.

For the first time in my nearly 30 years of membership on the Senate Committee on Finance, I have found it necessary to present individual views on a bill reported by the committee. In those individual views I was joined by the Senator from Tennessee [Mr. GORE], the Senator from Delaware [Mr. WILLIAMS],

and the Senator from Nebraska [Mr. CURTIS].

Mr. SALTONSTALL. Mr. President, will the Senator yield for a question?

Mr. BYRD of Virginia. I yield.

Mr. SALTONSTALL. The Senator used the word "discriminatory." Could the Senator go into that a little more fully? I have in mind particularly the question in regard to a firm, let us say, which needed to enlarge its building a little further to improve its facilities, which, as I understand it, would not be given any benefit, although a firm which had the bricks and mortar but needed a new machine would get benefit of the provision, even though the two firms might be competing against each other.

Mr. BYRD of Virginia. The Senator from Massachusetts is correct to a certain extent. This provision would not apply to buildings. It would apply only to equipment and machinery. It would be discriminatory in the sense that some companies would install machinery and other companies, perhaps, would not. That would make it discriminatory.

It would be discriminatory in another respect. That is, if no profits were made by a company, then the company could not take the tax credit. In my judgment, it would be to the advantage of the big companies, of the wealthy companies, which usually have a profit on which to take the tax credit. The struggling, smaller companies might not have a profit. In that event, they would not get one cent from the investment tax credit provision.

Mr. SALTONSTALL. Then the Senator's opposition to this business incentive, so-called, is because he feels it would not be fair, because it would bring about a great reduction in the revenues of the Government, and because in his opinion it would not bring a business incentive.

Mr. BYRD of Virginia. That covers one of the objections. Another objection is that it is another "gadget" to be added to our tax laws.

The Senator from Virginia thinks that the best encouragement is provided by the regular depreciation base as it now exists. This is better than going into another method—a tax credit—which, as the Senator from Massachusetts knows, is entirely different from a tax deduction through depreciation.

I think what the businessmen desire, so far as I can ascertain their desire—incidentally, practically all of the big business organizations opposed this tax credit provision—is liberalization of the regular depreciation schedule and then, if possible, a reduction of the corporation income tax rate. They do not wish for us to go into a new field which would be applicable, I would say, only to a minority of corporations.

Mr. SALTONSTALL. And the new provision, if put into force, would be very difficult to administer fairly, because of the various questions involved, as to what would come within the provision and what would not.

Mr. BYRD of Virginia. I think that is correct, although it is confined to machinery and equipment. For example, slot machines and gambling devices would come under that provision. After going into the question very thoroughly, I did something which, as I have said, I have never done in 30 years. I thought the proposal was so important, since it would lead into another field, that with three other members of the Senate Finance Committee I brought in minority views against the position of the committee. The investment credit provision was adopted in the committee by a vote of 10 to 7.

Mr. SALTONSTALL. As the Senator brought out, the proposal might be discriminatory. It would not be fair, because it would not give everyone the same treatment.

Mr. BYRD of Virginia. The provision would not apply equally. My dear friend the Senator from Oklahoma [Mr. KERR], said that the provision was not a subsidy. I say that it would be a subsidy because one would obtain a certain benefit for doing a certain thing. It would be just as much a subsidy as payments to farmers for not planting. Businessmen would be required to do a certain thing in order to get the special benefit, whether it is called subsidy or something else. I do not think that is the right course.

Furthermore, if the provision were applied to machinery and equipment, I think it would have to apply also to buildings, because it is not logical that a businessman or a corporation should put new machinery into an antiquated building. If the provision were applied to buildings, it would add another $500 million to $800 million to the deficit.

Mr. SALTONSTALL. From our point of view in Massachusetts, the provision would seem to me not to be fair. I hope I am correct. Many of our buildings are old. Many of our buildings would have to be remodeled in order to be useful for the installation of new machinery. If I read the amendment correctly, the provision would not help those industries at all.

Mr. BYRD of Virginia. It would not help the company in reference to the building at all.

Mr. SALTONSTALL. I thank the Senator.

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

Mr. BYRD of Virginia. I yield.

Mr. GORE. The Senator has referred to the proposal as a new "gimmick" in a tax law. I think that is a point that has not been sufficiently emphasized. Does not the proposal in fact provide a credit directly against, not taxable income, but against taxes owed?

Mr. BYRD of Virginia. It would be a credit against taxes owed. In other words, it would not be a deduction. It would be a tax credit. After a corporation or a businessman ascertained what he owed, he would receive a credit against his tax. It would be entirely different from the deduction under the regular system of depreciation.

Mr. GORE. That is why the Senator calls the proposal a gimmick. It is not an ordinary provision by which taxable income is determined.

Mr. BYRD of Virginia. As the Senator from Tennesee brought out when I first presented the question in the minority views, under the House bill it would result in giving a 114-percent deduction. This is because the investment credit is taken on income taxed at a rate of up to 52 percent. It would amount to twice as much as a regular expense deduction.

Mr. GORE. In other words, the provision would give to those fortunate enough to take advantage of it a deduction of more than 100 percent of the amounts contained herein.

Mr. BYRD of Virginia. The Senator is correct.

Mr. GORE. Was there not ample testimony before our committee that the cash position of American corporations was unusually good—in fact, better than at any other time in our history?

Mr. BYRD of Virginia. I think it was. The Senator from Tennessee brought out the fact that the U.S. Chamber of Commerce, the National Association of Manufacturers, the American Farm Bureau, and the Farmers Union were among the opponents of the measure. The AFL–CIO representative made one of the most masterly presentations against the proposal of all the witnesses who appeared.

Mr. GORE. If there is a need for more production facilities—and the cash position of American business is now the best in history—how can we assume that if by the proposed tax reduction, tax subsidy, tax benefit, windfall, or whatever we wish to call it, we should improve their cash positions, the result would be a vast amount of investment in plant?

Mr. BYRD of Virginia. I do not think we can. I do not think that will be the deciding factor. If a company receives 7-percent credit to put in new machinery a businessman would be very unwise to make that controlling point. He must have need for the machinery. If he has need for it, he can put it in and take off in his tax return the regular depreciation, which has now been substantially expedited.

Mr. GORE. Is it not the fact that the recent liberalization in the depreciation schedules made depreciation as rapid as anyone could realistically advocate?

Mr. BYRD of Virginia. I think so. We shall lose $1,500 million in 1 year. The amount will probably increase as the years go by.

Mr. GORE. In order to summarize, I ask the Senator if we have a great deal of idle plant capacity and unused production facilities now, if there is ample cash reserves in American business to build whatever new plant and facilities economic conditions will justify, and if the depreciation schedules have been revised within the past few weeks so as to be as generous as anyone has ever advocated, so far as I know, what justification is there to pile on top of the generous depreciation and cash reserves the proposed $1,300 million windfall to those in a position to take advantage of it?

Mr. BYRD of Virginia. I do not see any justification for it. The Senator from Tennessee and I have frequently discussed the point. The action we took in bringing in minority views was not taken without due study. I repeat that it was the first time in 30 years that I have submitted minority views.

What disturbs me is that the big giants of the industry, that always have a profit, could take the tax credit. But the struggling young industries which are trying to compete with the giants frequently do not make a profit, and therefore they could not deduct the credit. It would be a dead loss for such companies.

Mr. GORE. What justification is there for providing a 7-percent tax credit to gas and oil pipeline utilities that are regulated and that are assured by the regulations of a reasonable return on investment?

Mr. BYRD of Virginia. I do not see any justification.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed the bill (S. 3327) to make certain federally impacted areas eligible for assistance under the public facility loan program, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed the following bills and joint resolution, in which it requested the concurrence of the Senate:

H.R. 11099. An act to amend the Public Health Service Act to provide for the establishment of an Institute of Child Health and Human Development, and for other purposes;

H.R. 12577. An act to place authority over the trust powers of national banks in the Comptroller of the Currency;

H.R. 12628. An act to provide additional funds under section 202(a)(4) of the Housing Act of 1959, and to amend title V of the Housing Act of 1949, in order to provide low and moderate cost housing, both urban and rural, for the elderly;

H.R. 12899. An act to amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger; and

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes.

HOUSE BILLS AND JOINT RESOLUTION REFERRED

The following bills and joint resolution were severally read twice by their titles and referred, as indicated:

H.R. 11099. An act to amend the Public Health Service Act to provide for the establishment of an Institute of Child Health and Human Development, and for other purposes; to the Committee on Labor and Public Welfare.

H.R. 12577. An act to place authority over the trust powers of national banks in the Comptroller of the Currency;

H.R. 12628. An act to provide additional funds under section 202(a)(4) of the Housing Act of 1959, and to amend title V of the Housing Act of 1949, in order to provide low and moderate cost housing, both urban and rural, for the elderly;

H.R. 12899. An act to amend section 5155 of the Revised Statutes relating to bank branches which may be retained upon conversion or consolidation or merger; to the Committee on Banking and Currency.

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes; to the Committee on Appropriations.

Subsequently, Mr. HAYDEN, from the Committee on Appropriations, reported favorably, without amendment, the above joint resolution, and submitted a report (No. 1978) thereon, which report was ordered to be printed, and the joint resolution placed on the calendar.

THE NEED FOR A CENSUS OF ENGINEERS AND SCIENTISTS

Mr. CANNON. Mr. President, several times during the past few months I have addressed the Members of this body on a subject that I consider to be of critical importance to the national security—the continuing shortage of scientists and engineers.

Recently available statistics on the enrollment and graduation of engineering students in our colleges and universities have not only borne out the seriousness of this problem, they have shown that the situation is continuing to worsen.

For example, recent studies made by the Engineering Manpower Commission estimated that the proportion of engineering students among incoming freshmen—which has been steadily dropping—would continue to drop, probably below 7 percent. Data now available from the Office of Education show the actual figure to be 6.6 percent.

In absolute figures, the number of freshmen enrolled in engineering in 1961 stood at almost the same number that enrolled in 1960, roughly 67,500. The number of engineers graduating in 1961 was 36,000, compared with 42,000 in 1951.

To me it seems nothing less than to be courting national disaster if we continue to let this trend go on without taking some steps to rectify the situation.

This same problem also appears to greatly concern President Kennedy and some time ago at his press conference, he dutifully stated the situation, much as I have just done, and assigned several Government agencies the task of investigating the problem and making recommendations concerning its solution.

It was at his news conference of last January 19; and this is what the President said:

> One of the most critical problems facing the Nation is the inadequacy of the supply of scientific and technical manpower.

And he went on:

> Because of the seriousness of this problem for the long-range future of the United States, I have asked my Science Advisory Committee, in cooperation with the Federal Council for Science and Technology, to review available studies and other pertinent information, and to report to me as quickly as possible on the specific measures that can be taken within and without the Government to develop the necessary well-qualified scientists and engineers and technicians. * * * In undertaking this task the Committee will draw on the advice and assistance of individuals and agencies, including the National Academy of Sciences, which will shortly begin at my request a new study of scientific and technical manpower utilization.

Yet, 6 months later, after this precise directive from the President himself, virtually nothing concrete has been done. The most the Federal Council of Science and Technology can point to is a vague reference to a committee.

The "new study of scientific technical manpower utilization," supposedly being undertaken by the National Academy of Sciences, is equally lost in the bureaucratic mire.

If one investigates further, he runs into a veritable thicket of studies, projections, reports, and assessments—all of which add up to little more than a series of endless dialogs between well-meaning but ineffectual individuals and groups who have been talking this way to one another for 10 years or more.

But this is no time to indulge in unproductive recriminations. There is much too important a matter at stake. The essential question is: Why has nothing been done? Why is our scientific and technical manpower problem stuck on dead center, despite urgent pleas from the President himself?

One reason, I would like to suggest, is that no one seems to know where to start. Statistics in this field have become sterile and meaningless. Projections of future engineering graduates by the Bureau of Labor Statistics, for example, are based on a questionable study that is already 10 years old. Vitally important information such as the number of technicians in industry compared to the number of engineers, can only be guessed at. We do not even know the number of full-time students enrolled at the technical institutes in the United States.

Once we emerge from the academic halls, the available information becomes even more meager. It seems almost unbelievable that we can know our reserves of a raw material such as plutonium or iron ore down to a gnat's hair, but when it comes to another of our most precious resources—our priceless engineering and scientific talent—we have only the foggiest notion as to where these people are or what they are doing.

The nearest thing we have to an evaluation of our scientific and technical personnel is the register which the law requires the National Science Foundation to maintain. However, this register is admittedly incomplete and underfunded and depends for its information on gleanings from the records of the various technical societies. As a starting point for any realistic appraisal of our engineering and scientific talent it is obviously insufficient. Even though some progress has been made by the register recently, the efforts do not represent the kind of inventory that we ought to have.

As long ago as May of 1959 this so-called register was sharply criticized by the House Committee on Science and Astronautics. Typical of the comments voiced at that time was the criticism of William A. Douglass, president of Careers, Inc., who said:

> I don't see how this Nation can properly assess its most key manpower resources if it is to rely on the scanty information presently available to it.

The Committee on Science and Astronautics of the House said in a report issued September 11, 1959:

> The Register of Scientists and Technicians is too incomplete, too far behind time, and places too little emphasis on practical expe-

rience to be of broad value. It has been alleged that the manpower studies themselves, based on incomplete information, cannot provide adequate data for either current purposes or as a means of anticipating national scientific needs.

Over 2 years ago the National Science Foundation gave a grant to the Engineers Joint Council to restudy the national register in the light of the new need for more detailed and factual national engineering manpower information. A special committee of the Engineers Joint Council was formed to carry out the study. In summary this was the conclusion of that study:

First. That a national register of engineers was impossible to maintain in a useful up-to-date form and was not recommended.

Second. That a register might be beneficial as a source of information concerning the characteristics of the members of the engineering profession; and

Third. That great value could be gained from a comprehensive survey which would accurately reveal the characteristics of the engineering profession as it exists today.

Yet, here we are, 2 years after the publications of these recommendations, and still nothing has been done.

Mr. President, how are we going to come to grips with our acute shortage of scientists and engineers; how are we going to move in answer to the President's plea to do something about this critical situation, unless we know how many active scientists and engineers we have now and what they are doing?

In other words, how can we attack the problem of technical manpower shortages until we know in exact detail the profile of our present situation? How can we plan for the future without a clear picture of engineering and science manpower as it exists today?

In order to do this we must know four things:

First. Who are the existing engineers and scientists,

Second. Where are they,

Third. What are they doing now, and

Fourth. What are their skills?

Only after we have acquired this sort of information can we begin to know what needs to be done to increase our supply of technical manpower.

Since I began my series of speeches on space manpower problems I have received scores of letters from individual engineers and the engineering industry. I have been particularly impressed with the number of qualified people who have advised me that altogether too many engineers of great capability are working on administrative and sales problems.

It is not for me to go into detail as to exactly how such a survey or inventory should be carried out. Some suggestions, already moldy with age but still currently significant, were put forward as long ago as 1957 by the Bureau of Applied Social Research of Columbia University in a document entitled "The Engineer in American Society—A Proposal for a Program of Inquiry."

I would, however, like to make a few general statements which I believe should be applied to any survey or inventory which we may make.

In the first place, I feel that with our advancing technology, the distinction between scientists and engineers is diminishing. An inventory must provide us with a complete picture of the entire area of technical manpower.

Second. The survey should be aimed not only at discovering the keys to increasing our output of new technical personnel, but also toward increasing the effectiveness through retraining and other methods of our present scientific and engineering population.

Third. The survey should not become mesmerized with the accumulation of raw figures for their own sake. We must keep in mind that it is the characteristics of our technical manpower force that will be most useful to us.

Fourth. We must shuck off the old habits of thought which have in the past inhibited effective planning of comprehensive surveys of our technical manpower. The survey managers must proceed with an open and inquiring mind, coupled with a new and dynamic approach to the problem.

Fifth. The survey should not be confused with a register that would be useful in times of national emergency. This is an emergency, but the type of information we need is a far cry from the old roster concept for mobilization that is a hangover from World War II.

In short, therefore, I would like to propose that the Government—as the first step toward providing the President with the answer to the vital and urgent questions which he propounded at his press conference of January 19, 1962—undertake to make a one-time survey or census aimed at analyzing and uncovering the characteristics and makeup of our scientific and engineering manpower resource.

I would like to suggest that one of the extra dividends of a survey would be to show us which employers are currently engaged in the stockpiling of engineers and scientists. As a member of the special Armed Services Subcommittee studying the subject of excessive stockpiling of raw materials, I have been shocked by the disclosures made thus far. But I am also disturbed by excessive stockpiling of an even more vital resource—our scientific and technical personnel.

In my opinion too many employers engage in a subtle—and sometimes not-so-subtle—attempt to prevent the free movement of engineers into jobs where they are most needed. Instead, companies hoard their technical personnel against the day when they will need them for some Government contract as yet not awarded.

As a matter of fact, our defense procurement system encourages this practice, since one of the criteria for the awarding of a contract is the existence of an engineering force-in-being at the company plant. While I realize that technical competence is an important consideration in the awarding of a contract, I do not believe that this criterion should be seized upon by employers to hamper the normal free flow of engineers or scientists in our competitive, free-enterprise economy.

After all, with our present short supply of engineers and scientists it is important that they be able to seek out those positions where their talents can be best utilized. Procedures that can legitimately assist in this process of proper distribution of scientific skills play just as vital a role in our economy as any of our other distributive mechanisms. Conversely, any policy, such as stockpiling, that seeks to impede the free movement of manpower, is injurious to the economy and to the efficient use of this most vital manpower resource.

The cooperation of several agencies would be required to accomplish the job, but I believe that primary responsibility and adequate funds and authority should be vested in a single agency. Among those that would obviously have a part to play are the Census Bureau, the National Science Foundation, the Federal Council for Science and Technology, the National Academy of Sciences, the Bureau of Labor Statistics, and the Civil Service Commission. Obviously, too, the assistance of the Engineers Joint Council and all of the various technical societies will be vitally needed.

However, it is my feeling that past efforts have often bogged down because of the vast number of agencies that always seem to be involved at equal levels of authority. The survey which I am suggesting must be an integrated project with ultimate responsibility centering in one of the first three agencies I have named.

The need for, and ultimate purpose of, the survey which I am proposing was most succinctly expressed some time ago by Mr. Robert M. Mahoney, manager of the industrial relations department of the Union Carbide Co. and chairman of the register study of the Engineers Joint Council. Mr. Mahoney said:

> Assuming that the "engineers' register" means a currently maintained complete inventory of the U.S. engineering manpower resources, it would be an administrative monstrosity, costly to maintain. What is needed is a one-shot inventory of our national technical manpower resources, developed through the cooperation of industry, Government, educational institutions, and professional engineering societies.

Last week I spoke on the need to increase our military role in space. If my recommendations are acted upon, and some of them already have been, then the competition for the engineer and the scientist who are already in short supply, will be increased as NASA, private industry, and the military vie against each other for the talents of scientific manpower.

The agencies of the Government which were asked for prompt action by the President, appear to be lost in bureaucratic thought. Let us resolve today to let the clear light of information and knowledge illuminate the dark corners of our critical technical manpower shortage. Once that is done, we will be halfway down the road to solving this most vital national problem.

With the Russian engineering and scientific manpower reservoir reaching three times that of the United States, there is no time to lose.

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

Mr. CANNON. I am happy to yield.

Mr. PROXMIRE. Once again, I think the Senator from Nevada has performed an extraordinarily useful service to the Senate and to the country by calling attention to a very serious national problem. Did I understand the Senator from Nevada to state that we are not having an increase in the number of students who are entering college and deciding to study engineering commensurate with the increase in college enrollment or with the increase in opportunities in industry?

Mr. CANNON. The Senator from Wisconsin understood the Senator from Nevada to say that the number of entering engineering students in 1961 stood, roughly, at the same figure—almost exactly the same figure—as those who entered in 1960. The number graduated in 1961 was only 36,000 compared with 42,000 10 years earlier—in 1951; in other words, a loss over a 10-year period of 6,000 graduate engineers.

Mr. PROXMIRE. So the situation is absolutely worse, not simply in terms of the increase in population or the increased demand of our highly technological, industrial society. But in absolute terms fewer engineers are graduated now than were graduated 10 years ago?

Mr. CANNON. The Senator is correct, in absolute numbers.

Mr. PROXMIRE. Did the Senator from Nevada give the figures for our great potential adversary, the Soviet Union?

Mr. CANNON. No, I did not give the figures for the Soviet Union, although I gave them in a speech I delivered on this subject some time ago on the Senate floor. I do not recall the exact figure, but the differential is substantial.

Mr. PROXMIRE. It is my understanding from figures I have seen recently—within the last 24 hours—that this year the Soviet Union will graduate approximately 120,000 engineers whose education will be equivalent to that of our engineers; and that our experts who have visited the Soviet Union have indicated that those engineers are of competence equal with our own. Is not that roughly the impression which the Senator from Nevada has?

Mr. CANNON. I think the Senator is correct. The people with whom I have spoken give equal capability or substantially equal capability to the Soviet engineering graduate. Certainly the Soviet Union is graduating many more engineers, in numbers, than are being graduated in the United States at the present time.

Mr. PROXMIRE. It seems to me that what the Senator is asking is very reasonable. First, he says we ought to get the facts. I understood him to say we do not have authoritative statistics to tell us who the engineers are, where they are, what they are doing, or what skills they have. Is that correct?

Mr. CANNON. The Senator is absolutely correct.

Mr. PROXMIRE. Until we get those statistics, it will be impossible for us to evaluate our military problem or our economic problem relative to the Soviet Union and relative to the tremendous demand on our economy and our defense.

Mr. CANNON. The Senator is correct. I stated earlier that this is one of the areas which the President emphasized was critical. He asked that something be done to correct the condition. Yet, 6 months later practically nothing has been done by the agencies charged with these responsibilities.

Mr. PROXMIRE. I am chairman of the Subcommittee on Statistics of the Joint Economic Committee. I shall do everything I possibly can in the light of the excellent speech which the Senator from Nevada has delivered to the Senate this afternoon. I shall try to get from the Government agencies exactly the kind of statistics which he has been asking for. I shall try to ascertain the cost of such a program, how long it would take to get the information, and what difficulties are involved. I think it is absolutely imperative that at the very minimum we have the kind of information to which the Senator is referring.

Did I correctly understand the Senator from Nevada to say that employers are actually stockpiling scientists and engineers?

Mr. CANNON. Yes; the Senator is correct. There is now a requirement in connection with bidding on Government contracts that the bidder have in-house capability; therefore, in some instances there is a stockpiling of engineering and scientific personnel in order to enable a bidder to have a chance to secure a particular contract. As a result, some companies, I am reliably informed, have actually more engineers on hand than they need at the present time, but are reluctant to let them go because they would not then be in a position to compete.

I am also advised by many persons who have written to me on the subject that engineers are actually diverted to other types of work in a company, simply to keep their talents available. So they are being used on administrative and other types of work. That really is not a fair utilization of their capabilities.

Mr. PROXMIRE. So, because of Government policy, the fact is that the very short supply of scientists and engineers is being misdirected and misused and, in a sense, squandered at a time when we need them very much to provide the know-how in order to compete with the Soviet Union in space and military achievements.

Mr. CANNON. The Senator is correct. It is an extremely difficult problem. I agree that it is important for a company to have some technical capability if it is to compete for some of the extremely difficult work for which the Government is seeking bids today, particularly in the defense procurement system. Obviously, industry must have a capability, either in being or a capability readily achievable, if it is to compete and be successful in the performance of contracts.

Mr. PROXMIRE. Can the Senator think of any ingredient in military strength, or in the strength necessary to our economy, which is more vital today than engineering and scientific talent? Is it not true that we can produce all the steel; we can produce all the economic productive wherewithal we need; we have money, we have vast natural resources; but that our apparent, most decisive, and important need is trained scientific manpower?

Mr. CANNON. The Senator is correct. It is necessary to have a suitable incentive to get manpower into the beginning of the pipeline, whereas in connection with the products such as the Senator has described—steel and similar products—it is merely a matter of determining that something is wanted and we are willing to pay for it; then the pipeline speeds up.

But in the manpower area there is an entirely different problem. There is a long pipeline, but there must be an incentive. We have a much different type of productivity, insofar as manpower is concerned, than Russia has, for example. We do not have the right to tell our people that we want x number of scientists and engineers, and that a certain number of them must enter this field, and that they will have no alternative other than to go to Siberia. So we have to provide suitable incentives, in order to get them into the pipeline voluntarily, of their own free will.

Mr. PROXMIRE. So whether we or the Russians are the first to reach the moon, or whether—as the Senator from Nevada pointed out so well in his speech of a few days ago—we achieve supremacy in the military applications of space, will depend, not so much on whether we can produce the needed aluminum, steel, or other ingredients, or on whether we have the resources or the money, but on whether we shall have the know-how, the scientific knowledge. Is that not correct?

Mr. CANNON. That is absolutely true.

Mr. PROXMIRE. Is it not also true that on this score the Soviet Union is moving ahead three or four times as rapidly as we are, although their economy is less than half as productive as ours?

Mr. CANNON. That is entirely correct.

Mr. PROXMIRE. Let me say that I was most impressed with the argument the Senator made, in the course of his excellent speech, about having the United States do the best it can in regard to the military applications of space. Is it not true that those of us who are anxious to have our country be the first with a man-to-the-moon project have been most concerned when word has come to us that NASA is going to need 13,000 more scientists in the next few years? If we are to go ahead as rapidly as is desired, we may have to take scientific experts from essential industry and from vital defense work, and even from graduate studies in education, in order to use them to help us achieve this particular supremacy in space.

Mr. CANNON. There is no question but that the competition for these people is extremely great, because we do not have enough to fill our requirements at

the present time. Therefore, we have to explore the various possibilities to which I have referred.

One of them is to make use of personnel who are not now being utilized in the jobs for which they have been trained. Another is that we may already have people with technical training who can profitably undergo retraining or upgrading, without requiring the long time spent in the pipeline between graduation from high school and graduation from college. Many of those who today have such technical ability may be able to upgrade themselves; and I am happy to point out that NASA has undertaken such a program. I think it is a very good one. But I think we must first see where we stand, instead of just going off in all directions.

Therefore, I think this survey and study would constitute a really important tool to help us decide what our actual posture is, where we can obtain these people, how we can increase the pipeline supply, and how we can best utilize them.

Mr. PROXMIRE. The Senator from Nevada could not be more correct. That is why I submitted to the NASA authorization bill the Proxmire amendment to provide for a scientific manpower study by a presidentially appointed Commission. Certainly one is needed; and until we establish these priorities, this situation constitutes our great danger and our Achilles' heel.

I thank the Senator from Nevada very much for his excellent statement.

Mr. CANNON. I thank the Senator from Wisconsin.

Mr. YARBOROUGH. Mr. President, will the Senator from Nevada yield?

Mr. CANNON. I yield to the Senator from Texas.

Mr. YARBOROUGH. I wish to join in congratulating the Senator from Nevada for his contribution to our consideration of the important subject we have been discussing.

I wish to say that as a member of the Veterans' Affairs Subcommittee, I realize the necessity for the kind of study the Senator from Nevada has mentioned. I also wish to state that is one of the reasons why those of us who have coauthored the GI Bill of Rights have been pushing so hard for its passage and enactment, because experience has shown that among the GI's who go to college, the percentage who engage in scientific studies is greater than the percentage among other groups, because many of the GI's worked with engineering or science while they were in the service. Therefore, when they enter college, many of them engage in scientific or engineering studies—and in a higher percentage than is true of any other comparable group of college students.

In connection with these studies, has the Senator from Nevada studied the shortage of medical doctors, and have his studies encompassed the field of medicine?

Mr. CANNON. No. This is the third of a series of talks I have made on this subject; and they have been specifically related to the fields of engineering and science. They do not relate to the medical field.

Mr. YARBOROUGH. Mr. President, again I wish to commend the Senator from Nevada.

I should like to say that medicine is another field in which we are lagging behind in training. Four years ago our medical schools graduated, annually, 7,000 medical doctors; but in the same year the Russian Soviets graduated 16,000—more than double our number. Of those 16,000 14,000 were for domestic use; but 2,000 were trained in the languages, the mores, the customs, and the religions of the underdeveloped countries, and were pledged in advance to practice medicine in those countries, and to live with the people there, and to live in whatever type of housing the people there are accustomed to live in. Such doctors have a proclivity, as do our people, to live in good housing, both when overseas and at home. But they were required to pledge in advance that when they went overseas they would live in the type of housing that the people of those countries are accustomed to live in.

Furthermore, in that year our country had to license 1,700 doctors who had come from abroad—in addition to the 1,600 graduates of American medical schools who were licensed in that year. The licensing of those doctors from abroad was necessary in order to make up the doctor shortage we faced. So I wish to point out that a lag also exists in the field of education in medical science.

Certainly I shall support the Senator's efforts to have a survey made of our educational and scientific needs, including the need for more doctors. In that connection, determination should be made of the number available at home and the number we can spare for service in other parts of the world where improved medical care is so greatly needed.

I congratulate the Senator from Nevada for his leadership in this field and for the very informative speeches he has been making on this subject.

Mr. CANNON. I thank the Senator from Texas.

Mr. President, I yield the floor.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had agreed to the amendment of the Senate to the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes, with an amendment, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the amendment of the Senate to each of the following bills of the House:

H.R. 1388. An act for the relief of Tai Ja Lim; and

H.R. 11257. An act to amend section 815, article 15, of title 10, United States Code, relating to nonjudicial punishment, and for other purposes.

The message further announced that the House had severally agreed to the amendments of the Senate to the following bills and joint resolution of the House:

H.R. 5532. An act to amend the Armed Services Procurement Act of 1947;

H.R. 10431. An act to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services";

H.R. 10432. An act to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the Code;

H.R. 10433. An act to amend title 10, United States Code, to codify recent military laws, and to improve the Code;

H.R. 10931. An act to revise and codify the general and permanent laws relating to and in force in the Canal Zone and to enact the Canal Zone Code, and for other purposes; and

H.J. Res. 677. Joint resolution relating to the admission of certain adopted children.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

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

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Act;

S. 3574. An act to extend the International Wheat Agreement Act of 1949;

S.J. Res. 29. Joint resolution proposing an amendment to the Constitution of the United States relating to the qualifications of electors;

H.R. 3801. An act to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes, and to prepare joint reports on such investigations, and surveys for submission to the Congress, and for other purposes; and

H.R. 7638. An act for the relief of Kim Hyung In Comstock.

APPLICATION OF CERTAIN LAWS TO AMERICAN SAMOA—CONFERENCE REPORT

Mr. HUMPHREY. Mr. President, on behalf of the Senator from Washington [Mr. JACKSON], I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 10062) to extend the application of certain laws to American Samoa. I ask unanimous consent for the present consideration of the report.

The PRESIDING OFFICER. The report will be read, for the information of the Senate.

The legislative clerk read the report.

(For conference report, see House proceedings of August 30, 1962, p. 18253, CONGRESSIONAL RECORD.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. HUMPHREY. Mr. President, as passed by the House, H.R. 10062 authorized the Governor of American

Samoa to request Federal departments, corporations, or agencies to extend, without reimbursement, scientific and technical assistance to promote the welfare of the territory. The bill also authorized the extension, upon application by the Governor, of several public laws applicable in other U.S. territories to Samoa. They are the National School Lunch Act, the Vocational Education Act, the Library Services Act, and the Public Health Service Act.

The Senate passed the bill in a somewhat different form. The principal difference in the Senate version was that the request for technical assistance would be made by the Secretary of the Interior, rather than by the Governor of American Samoa; and the programs extended through the various laws I have just mentioned would become effective upon enactment of the bill.

The House conferees and the Senate conferees have agreed that authority to request technical assistance from other departments shall rest with the Secretary of the Interior, instead of the Governor of Samoa. It has also been agreed that benefits from the School Lunch Act and the other acts included in the bill shall not become effective except upon request of the Secretary of the Interior made to the Secretary of Agriculture and to the Secretary of Health, Education, and Welfare.

I present this report on behalf of the distinguished junior Senator from Washington [Mr. JACKSON].

The PRESIDING OFFICER. The question is on agreeing to the report.

The report was agreed to.

ELIGIBILITY OF CERTAIN FEDERALLY IMPACTED AREAS FOR ASSISTANCE UNDER PUBLIC FACILITY LOAN PROGRAM

Mr. SPARKMAN. Mr. President, I request that the Chair lay before the Senate amendments of the House of Representatives to S. 3327.

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 3327) to make certain federally impacted areas eligible for assistance under the public facility loan program, which were, to strike all after the enacting clause and insert:

That paragraph (4) of section 202(b) of the Housing Amendments of 1955 is amended by inserting immediately after "Act" the following: ", or in the case of a community in or near which is located a research or development installation of the National Aeronautics and Space Administration".

And to amend the title so as to read:

An Act to make eligible for assistance under the public facility loan program certain areas where research or development installations of the National Aeronautics and Space Administration are located.

Mr. SPARKMAN. Mr. President, I move that the Senate concur in the House amendments.

The motion was agreed to.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

INVESTMENT CREDIT

Mr. SMATHERS. Mr. President, the most important measure contained in the tax bill now before the Senate is the proposal to allow a 7-percent credit against taxes on investment in machinery and equipment.

This proposal has been criticized by those who, in my judgment, should most support it.

It has been called a bonanza for business, a tax giveaway, a theoretical scheme that will not work in practice, and a shotgun approach in an area where sharpshooting is called for, or precisely the opposite, a rifle shot where a scatter gun is needed.

These criticisms do not stand up under close examination of the facts, because the investment credit is none of these things.

I believe it is an important part of the effort to stimulate our economy, to provide more jobs, to end the balance-of-payments deficits and the gold drain, and to give our Nation the means, in the years ahead, to meet head on whatever foreign challenges and domestic requirements we may have to face.

I do not have to tell the Senate of our need for a faster rate of economic growth. We all know that more than 4 million people are out of work in the United States today. We all know that millions of jobs must be created for those people, millions more for the new workers coming into the labor force in this decade, and still more millions to provide for the older workers whose skills are made obsolete by advancing technology.

The only way to get these jobs is by a more rapid rate of growth, for only through economic expansion can our industry operate at a level to sustain full employment under such conditions.

We all know that in recent years our growth rate has been lagging, and we have been outstripped in speed of economic expansion by the industrial nations of Western Europe, by Japan, and even by the Soviet Union.

We all know where this losing race will lead if we continue to be satisfied with an economy operating at slow speed. Every year of delay, every year when we do not act to speed our growth at least to keep pace, not only with our allies, but with other nations far less friendly, brings us closer to the point where our vaunted economic superiority could become a thing of the past. What would happen if that were allowed to occur no one cares to contemplate. We must not and, I am confident, we will not allow it to occur.

One of the most effective measures we have in stimulating growth is the investment credit. It will add momentum to our current recovery by stimulating the capital goods and allied industries, with multiplying effects throughout the economy. It will reach into every nook and cranny of our industrial economy to stimulate modernization of our productive facilities, increasing national productivity, and broadening our industrial base. Greater productivity means greater output, more sales at home and abroad, development of new products, new markets, and more jobs.

The credit will increase our level of productive investment, and this is directly related to our rate of economic growth. During the 1950's, West Germany's proportion of investment in machinery and equipment—as a percentage of gross national product—was roughly twice that of the United States, and her annual rate of economic growth was also twice that of the United States. I will not burden Senators with statistics, since I believe they all have seen them, but I will say that the other industrial nations of Europe which have had more rapid growth than we, have devoted a larger portion of their resources to such investment, and had higher rates of growth.

This is true of almost every single nation in Western Europe—the United Kingdom is the major exception—and of Japan as well.

Even more startling, if we take statistics and examine them more closely, we find that those with the highest investment had the most rapid growth.

The correlation between investment and growth rates in this regard is so nearly perfect as to startle even those familiar with the general trend.

I mentioned that the investment credit will help to increase our sales abroad. This is the second major reason it is needed. It is no secret that those same nations which have been growing so proudly have also been exporting at a very high rate, with the result that they have been piling up surpluses in their balances of international payments.

Our own country, meantime, has been running a persistent balance-of-payments deficit—a deficit which, in the last 4 years, has totaled well over $13 billion, and included drains on our gold stocks during that time totaling almost $6 billion. Though we do have a substantial trade surplus, the overall deficit is continuing and the gold drain is continuing.

Our gold stocks now are lower than they have been at any time in more than two decades. They are dropping all the time. The only effective way to stem the gold flow is to eliminate the continuing deficit in our financial relations with other nations. The only way to do that—short of abandoning our national commitments for the defense and development of the free world—is to expand our export surplus, to sell more goods abroad.

The aim of President Kennedy's trade program is to allow us to negotiate mutual tariff reduction with the Common Market and other nations, to assure that our goods can maintain access to vital export markets abroad. But it is not enough to maintain access to these markets. Our goods must be competitive and our producers must be able to outsell foreign producers, both in export markets and here at home.

The higher level of domestic investment which Japan and the industrial nations of Europe have been maintaining has resulted in more rapid modernization of their productive equipment than

of ours. This has led to higher productivity, greater efficiency, and lower unit costs added to their initial advantage of lower wage costs.

The consequence has been increasingly aggressive competition. As a result, their share of world markets has been increasing, while ours has been decreasing.

Certainly, we are selling more abroad than they. We are selling more all the time, but their share of the markets has been growing faster than ours. Consequently, our relative competitive position has been declining—at the very time when it is more important than ever for us to increase our share of world markets.

If we were able to increase our exports only 10 to 15 percent without a commensurate rise in imports, we would be able to wipe out our payments deficit and stop pouring more and more dollars—and gold—into European central banks. This is the second major reason for the investment credit. Not only will it stimulate growth, but also it will help assure that our goods are priced competitively. Thus it will be a significant stimulus to export sales and a significant barrier against undue inroads into our domestic markets by imports. This is the most promising avenue for improvement in our international economic position.

Finally, the investment credit, by increasing productive efficiency and thereby lowering costs, provides a strong antidote to any inflationary pressure which may arise again in the future.

The investment credit, then, is basic to our entire economic health, international and domestic. It will help to provide more jobs. It will promote price stability and lessen the possibility of inflation. It will speed our rate of economic growth. It will help in the continuing struggle to balance our international accounts and protect our vital gold reserves. In short, it will serve to move us forward on the road to reaching all of our national economic goals.

Against this background, what have been the criticisms of the investment credit?

It has been pictured as a costly subsidy or windfall to business—a giveaway, which is discriminatory in its application to different industries and different companies.

It has been pictured as a poor incentive, which just will not work as a stimulus, an incentive that is not necessary in view of the recently completed reform of depreciation guidelines.

It is also pictured as a costly, wasteful measure which just will not do what it was designed to do, and even if it did, would be superfluous.

Let us examine those charges one by one. The facts refute them.

Is the investment credit a business windfall? No, it is not a business windfall. In order to benefit from the credit, business must invest in equipment and machinery. The amount of benefit increases directly with the amount of investment. It is not a windfall, but a specific economic stimulus for investment which will not be received unless investment has, in fact, been made. Neither will it be expensive. The $1 billion expected cost in the first year, according to estimates, may be fully recovered in revenue as a result of the added push to economic expansion in the first year after enactment. As time goes by, the ramifying consequences of a higher investment level will spread throughout the economy, more than compensating for the future costs of the credit.

Is it a giveaway to business—a reward for businessmen who follow Government policy?

No. It is a soundly conceived economic proposal aimed at making sure that business has the funds it needs to finance modernization.

As such, the credit will clearly achieve its objective of encouraging higher rates of business investment. To suggest otherwise—to argue that the credit will not, in fact, work—is to assert that American businessmen are totally irrational.

The credit will work because it will mean cash in hand for business—cash which will find its way back into still further new investment.

The credit will work because it will improve the profitability of investment.

The credit will work because it will shorten the period over which business will recover the cost of investment, and shorten commensurately, the period over which investment capital is risked.

What do the opponents of the credit believe businessmen consider when they are making investment decisions? Do they not ask themselves whether they have the money? Whether the expenditure promises an adequate return? Whether there is a good chance that they will be able to recover the cost of the outlay in a reasonable period of time?

These are, of course, exactly the questions they ask. Enactment of the investment credit will increase the possibility of affirmative answers in a significant number of cases. This is precisely what is meant when supporters of the credit say it will stimulate investment: that enactment of the credit will mean more affirmative investment decisions.

Critics of the credit claim that the credit will be a windfall to those who would have gone ahead anyhow with capital improvements. Even for these firms, however, the additional stimulus of the credit will tend to increase such spending beyond the level which otherwise would have been the limit.

The aim of the credit is to tip the scales in favor of investment in the marginal cases; situations in which the investment decision would have been "no" rather than "yes" but for the faster cost recovery and higher profitability that the credit will make possible.

It is these marginal decisions which may make or break our American growth and our fundamental economic strength in the years ahead. Our competitors in Europe and elsewhere have learned this lesson.

Nearly all of them provide some form of direct stimulus to investment similar to the one now proposed here.

One further point deserves to be made concerning the windfall aspect of giving the credit to those who have already made investments since midyear—or who would be making them, credit or no, in the years ahead.

Is it not true that the credit will provide such businesses, as well as those whose decisions were marginal and thus directly influenced by the credit, with the funds on hand for future investment which might otherwise not have been undertaken?

Another charge made against the credit is that it is discriminatory, favoring one industry against another and one company over another.

In a certain sense this is true—and it is also appropriate.

The benefits of the credit will, in fact, be larger for those industries and those companies which invest the most. But this is as it should be because the credit is intended both to stimulate and to help finance more rapid modernization and expansion. It should therefore go where the most modernizing and expanding is being done. That is where it will go.

While a variety of alternative plans for stimulation of investment have been put forth, in recent months, in one quarter or another, the investment credit, upon analysis, emerges clearly as the most attractive and sensible possible choice.

Some have suggested that the credit is overly generous—frosting on the cake when the Treasury has already taken steps to increase the flow of internally generated business funds for investment by shortening the lives of depreciable equipment from those previously set forth in Internal Revenue's Bulletin F.

If, however, we have a need—and we surely do—to make the tax treatment of investment in this country comparable to that given investment abroad, depreciation revision is not enough.

We need to make investment incentives here as great, at least, as the average available abroad for two reasons.

First, we need to spur modernization in this country for the health and growth of the American economy and to assure that we have efficient businesses producing at competitive prices. This point I have already touched upon. But there is another reason—also related to both domestic and international economic considerations.

If American businessmen find they can get a faster, more profitable return on their investment in other nations, they are going to invest in other nations.

Such investment overseas, induced in no small measure by our relatively unfavorable tax treatment of investment in this country, hurts the American economy in every way.

It means the export of jobs, along with capital and factories, thus adding to our unemployment problem, impairing our economic health and stunting our economic growth.

In addition, the export of capital hurts our balance of payments directly and the fact that American capital is being used to finance the production of goods for sale and use overseas cuts into the potential volume of exports from this country, thus indirectly also worsening our balance of payments.

Enactment of the investment credit will reduce the relative tax advantage for investment overseas because the credit—and this point should be understood clearly—will apply only and solely to investment in the United States. This is one of the reasons why it is preferable, as a tax inducement for investment, to various forms of accelerated depreciation which, in certain circumstances, can apply to investment in foreign countries.

There are other reasons, also, for preferring the credit to accelerated depreciation. I have studied them with care because, I was myself, at one time, an advocate of further acceleration of depreciation. The principal reason is just this: The credit gives more stimulation to investment per dollar of tax revenue lost to the Government than would a similar loss to the Government in the form of accelerated depreciation.

The credit, as opposed to higher depreciation writeoffs, is also relatively more favorable to small corporations, in the 30-percent tax bracket, and to unincorporated businesses whose tax rate is less than 52 percent.

A depreciation deduction of 14 percent would be roughly comparable to the 7-percent credit for a corporation in the 52-percent bracket. But a 14-percent deduction would save a small corporation only $42 in taxes on a $1,000 investment, as compared with $70 under the credit.

It is worth noting, in passing, that there are other features of the pending legislation which have also been tailored with the requirements of small businesses in mind.

One is the permissible use of the credit, subject to a $50,000 annual limitation, on purchases of used equipment, which is typically bought by the small firm which cannot afford brandnew equipment. Another is the provision extending the credit to leased equipment.

I hope that the facts I have mentioned convince Senators, as they convince me, that we urgently need the credit in the United States today, to spur growth, to provide more jobs, to lessen our international balance-of-payments deficit and to protect our gold reserves.

The credit is no hasty improvisation, but a carefully thought-out policy designed to use our tax law selectively as an economic stimulus tailored to our present and future needs.

The investment credit is based on an understanding of business methods and practice. It is vitally necessary—together with the revision of depreciation guidelines—if our producers are to have tax treatment comparable to that of their foreign competitors.

Depreciation revision alone does not do the job. In the fierce competition for foreign markets that has already begun, it will not be enough to be almost competitive. A price that is almost low enough to meet competition is still too high. The efforts made to lower it, unless they include measures complete enough to do the job, remain only token efforts, and this is no time for token efforts.

American business needs the additional margin of competitive potential which the investment credit promises. Without it, our producers will be laboring under a severe handicap as they attempt to maintain a major place in the rapidly evolving new world of trade. With it, they will have room to use their drive, creativity, business enterprise, and plain know-how to keep the United States for many years to come in its present position as the major trading nation and the major industrial nation of the entire world.

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

Mr. SMATHERS. I am happy to yield to my friend the able Senator from New York.

Mr. JAVITS. I shall vote against the motion to strike out the proposed equipment tax credit. I have given the subject a great deal of thought, as has my dear friend and colleague from Florida. As the Senator knows, I have had many years of experience with industry and business, both on the legal and the management sides. It is my view that though business is not now very enthusiastic about the credit, the reason for its lack of enthusiasm convinces me that the provision should remain in the bill. Its lack of enthusiasm is attributable to the idea of business that the proposal would become a very uncertain quantity since it is incorporated in a tax bill, and therefore would be subject to the winds of politics. I think its usefulness will be so validated and it will have such a material effect upon the rate of acquisition of new equipment as to imbed itself into tax law very firmly, because it is constructive.

The American industrial plant is undermachined and becoming rapidly very much out of date; and I know my colleague, as he stated, feels the same way. Not only am I in favor of the proposed investment credit, but also I think our formula for depreciation must be revised much more along the German and Swedish models than along our own. We have nothing to lose. The proposal is indispensable to our effort in the cold war to have the American industrial machine occupy the position it occupied after World War I and World War II.

It should lead the world. Anything we can do to bring that about will strengthen our country and materially strengthen its economy.

Productivity is the basis of the economy. We can always find ways and means to deal with the problems of people if there is available money that is worth something in terms of tangible production upon which to build social solutions to social problems. But if we do not have the basic production, we are really in trouble. That is the danger that we run.

So I am very much pleased with the committee report. I know that the vote was close. I know that there is a great deal of opposition to the proposal. I am pleased that the committee left in the bill the proposed equipment tax credit. I know that business is not enthusiastic about it, but I think business is wrong. I think business will be enthusiastic about it once it begins to use the credit and sees how useful it really is, especially—and this is the paramount consideration, in my view—since it would be useful in the national interest. I am very glad that my colleague has made that declaration. I have given the subject a great deal of thought. It has been one of the issues in the bill that has worried me most. For the reasons I have stated, I have come to the conclusion that the provision should be supported, and not rejected.

Mr. SMATHERS. I thank the able Senator from New York for that expression. The fact that he has had great experience in business, which I venture to say is equal to that of any Senator on either side of the aisle, should strengthen in great measure the opinions of those who support the investment credit provision. I entirely agree with the Senator in his statement that at least at the outset the business community was not enthusiastic about it. Primarily for the reason which he described, business felt that the proposal was something of a rather temporary nature. Businessmen did not know how long the provision would remain in the law. They were a little uncertain about its future.

However, in recent weeks, as we have discussed the proposed investment credit provision in the committee and elsewhere, and as the business community itself discussed it, I have found that many businessmen who first came to me expressing great doubt about it have now become convinced of its worth and its desirability. In some instances, those who had previously asked me to vote against it have now in effect made a 180-degree turn, recognizing that the provision could serve a very useful purpose in modernizing their equipment in the productive machinery of our Nation. So I thank the Senator for his comments. I greatly appreciate them.

Mr. SPARKMAN. Mr. President, will the Senator yield to me?

Mr. SMATHERS. I am happy to yield to the distinguished Senator from Alabama.

Mr. SPARKMAN. I have given a great deal of thought to the proposal, not only during the pendency of the bill, but prior thereto. It happens that the Senator from Florida [Mr. SMATHERS], the Senator from New York [Mr. JAVITS], and I are all members of the Small Business Committee. Senators will recall that approximately 4 or 5 years ago we unanimously recommended not exactly a provision such as the one proposed, but a measure which I believe had something to do with the proposal being included in the bill. We were interested in small business, but we could not legislate for small business as a class. So we introduced a bill proposing that any business which plowed back into itself a part of its earnings would be able to deduct for tax purposes such amount of reimbursement, not to exceed 20 percent of its earnings, or $30,000, whichever was the lesser. We introduced the bill at that session of the Congress and in a succeeding session of Congress.

In the early part of last year the staff members of the Small Business Committee talked with representatives of the Treasury Department in an effort to gain approval of the plan now before the Senate.

They finally said, "We cannot go along with that, but we can go along with this investment credit of 8 percent"—I be-it was originally. I certainly agree with the statement that this can be an incentive for replacing wornout or certainly badly depreciated property. I am no expert in these matters, but I am rather of the opinion that one of the troubles from which the steel industry is suffering today is the need for new equipment. In fact, I believe Mr. Blough said as much, at the time we were asked to help them replace old equipment so that they could compete with foreign production of steel.

I know that the textile industry, or certain segments of it, have for a long time been plagued with the need for replacing equipment. I do not say that this is the perfect solution, but certainly I believe that it ought to provide a tremendous incentive to business to keep up to date, and thereby maintain productivity and thereby be able to compete on the world market.

Mr. JAVITS. Mr. President, will the Senator yield further?

Mr. SMATHERS. I yield.

Mr. JAVITS. The Senator from Alabama, who so ably heads the Select Committee on Small Business, has had a great deal to do with this matter, and certainly he is entitled to all the credit that is entailed in connection with it, because he was first in the field.

I should like to say, on the question of imports, that, interestingly enough, this provision in the pending bill ties in with the trade bill, because we can take the attitude that we will go along—I am drawing on my memory now—with the situation, according to the estimates, that 40 percent of American machinery and equipment is out of date, considering modern means, when person after person and some of our own colleagues in the Senate come back from Europe and say they have seen a rolling mill or a textile mill or a shoe factory which out-automates anything that we have here. However, I am in favor of meeting that competition by replacing obsolete equipment, and not by meeting it with protective devices.

All of this is directly in point to this particular issue. Unless we are willing to do this in order to encourage that kind of ability, we will go to the other kind, which is protectionism, which will certainly materially weaken the posture of this country in respect of the cold war.

Mr. SMATHERS. Mr. President, I thank the Senator from New York and the Senator from Alabama for their comments. I am very much interested in their comments. I know that when, under the able leadership of the Senator from Alabama, and with the cooperation of the Senator from New York, we devised what we thought was an original concept to keep the economy moving, it is the same concept, as the Senator from Alabama has pointed out, which has developed into this investment credit provision in the pending bill.

Mr. SPARKMAN. There may be some misunderstanding about it. Of course there is a limit on the amount of the investment credit, I believe.

Mr. SMATHERS. Yes; there is a tax limit. The tax credit may offset tax liability in full up to $25,000, but above that point the credit may not reduce tax liability by more than 25 percent, in any one taxable year. However, any unused credit may be carried back for 3 years or forward for 5 years.

Mr. SPARKMAN. How much is it?

Mr. SMATHERS. There is no specific dollar limitation on the investment credit. However, there is a specific dollar limitation in the case of purchasers of used property. The limitation here is $50,000. The 7 percent is applied to this $50,000.

Mr. SPARKMAN. That is another provision.

Mr. SMATHERS. The limit there is $50,000. This, of course, would be a great stimulant to small business.

Mr. SPARKMAN. I believe $25,000 is the limit.

Mr. PROXMIRE. There is no limit. The limit of $25,000 would be provided by the Proxmire amendment. A.T. & T., for example, would get $75 million.

Mr. SPARKMAN. An official of the Treasury told me it was $25,000.

Mr. PROXMIRE. Twenty-five percent of the income over $25,000. A.T. & T. would get $75 million. There is really no limit.

Mr. SMATHERS. There is no specific dollar limit on the investment credit because what we are trying to do is to stimulate the economy by encouraging business to rid itself of obsolete machinery and equipment. The bigger the order for machinery in a textile mill or in a shoe mill or by A.T. & T., the more jobs will be created, and the more money will be circulated. The fact that there is no limit does not make it undesirable. I believe it makes it even more desirable.

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

Mr. SMATHERS. I yield.

Mr. PASTORE. I could not agree with the Senator from Florida more.

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

Mr. SMATHERS. I yield to the Senator from New York.

Mr. JAVITS. I believe the Senator from Florida has put his finger on something that is critically important. We have the concept of absolutes in the way of money without realizing that we are in big business, and that the very size of our whole effort must be proportioned to what we do about it; $75 million in absolute terms is a great deal of money, but not in terms of a $500 billion economy; and when we compare it with the thousand-billion-dollar production in the Atlantic community, which is the production we are talking about, it is mighty small. The American people, in my opinion, are not frightened by the fact that they earn an annual average of $6,000 or $7,000 or $8,000 and that we are talking about $100 million or $1 billion. They have enough wisdom to realize that it is necessary to deal with that kind of economy to give them the security of both jobs and peace that they send us here to create for them in the best way we can.

Mr. SMATHERS. 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. SMATHERS. 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. WILLIAMS of Delaware. Mr. President, I am a cosponsor of the amendment offered by the Senator from Virginia [Mr. BYRD] to strike from the bill that section which would provide the 7-percent investment credit. If the investment credit provision is allowed to stand in the bill it will represent a tax reduction of approximately one-quarter billion dollars for American industry. It represents a tax reduction of a quarter of a billion dollars at a time when the only manner in which we can finance it is by a further increase of the national debt and by borrowing the money because we are already operating at a deficit.

I, as much as any other Member of the Senate, look forward to the time when we can cut taxes. However, we should not cut income taxes for corporations or individuals on borrowed money. The Senator from Florida and those who have engaged in colloquy with him state that the proposal would put this money into the spending stream and would thereby help our economy. I am very much surprised to find the Kennedy administration now advocating the trickle-down theory, that they favor a tax reduction for some of the major corporations of this country in the hope that a little of this money will trickle down and help the employees and stockholders and the economy in general. If we are going to give a tax reduction to employees and we want to put money into their hands, let us do it with a bona fide tax reduction and reduce taxes for all taxpayers. Let us not pass a tax reduction on to corporations and then say we hope some of it will trickle down to the workingman and to the people in the lower tax brackets.

Much has been said in the last several years about the trickle-down theory. I am surprised now to see it embraced so ardently by the Kennedy administration and by some in this country who have heretofore denounced it.

Mr. JAVITS. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. JAVITS. I think we want to have the issue clear as between us. I shall not support this proposal on the trickle-down theory, because I agree with the Senator about that. I think it is a very expensive way to spend tax money. But I certainly would appreciate having the views of the Senator on the more fundamental question, to me, of remachining American industrial plants and giving inducements for that purpose.

I am aware of the Senator's extraordinarily fine leadership in respect to depreciation. I pay him all honor for that. I think that is a very potent factor in what we are trying to accomplish. Nevertheless, I feel that the 7-percent tax credit must be discussed in these terms. The Senator has a right to his

views as to the trickle-down theory, and I think he has made a legitimate point about the administration.

I was only explaining the view of one Senator on his side of the aisle as to why I would favor this proposal, because I feel that even though there is a little improvement in depreciation, and I would willingly join with the Senator from Delaware, who has shown extraordinary leadership in getting more of a depreciation system for equipment, a system more along the European line, which is designed to encourage business to remachine, I still feel that with this opportunity available, it is so important in terms of re-equipping American industry that, to me, it outweighs any other consideration. I shall take that position.

I agree with the Senator from Delaware that the system should not be justified, and I do not think it could be justified, on the trickle-down theory, because that is a very expensive way to spend tax money.

Mr. WILLIAMS of Delaware. I only repeat the argument that has been made that this benefit would accrue to the workingman and other taxpayers. The only way that could happen would be to accept the trickle-down theory.

I agree with the Senator from New York that our present depreciation schedules are outmoded. I was a strong supporter of the administration's recent action in revising schedule F and have been advocating this revision for the past several years.

I would even go further and modify the existing depreciation schedules under our existing laws if we had the money. I made this suggestion in committee and discussed with the Treasury Department my view that a more appropriate method of helping American industry at this time, rather than starting a complicated 7-percent tax credit, would be to liberalize the depletion rates in the framework of our existing law. Why not just change the existing depreciation schedule. For instance, I suggested that rather than doubling the depreciation on a declining balance method, we change to 2½ times. This would allow all taxpayers to write off their investments on a more rapid basis. But it would keep this change confined to the basic principle which has always been a part of our tax structure; namely, that we would never, under any circumstances, allow an individual taxpayer to write off more than 100 percent of the original cost of the item.

One of the basic objections to this current proposal is that with the 7-percent investment credit a taxpayer can claim as depreciation 114 percent of the cost. There is no argument about that. That is the mechanics of the proposal.

In addition, it is very complicated. The staff has prepared an explanation of this investment credit as it was reported out of committee. The Treasury proposal has been changed two or three times. When the President first proposed the investment credit, I asked the staff of the Joint Committee on Internal Revenue Taxation to prepare a report as soon as possible to show taxpayers how the investment credit would work; it required five pages. The formula in the pending bill is just as complicated. The only taxpayers who will use this complicated method will be the corporations which are large enough to keep their tax returns continuously open and which have a group of tax experts on their regular payrolls to figure taxes at all times. If a taxpayer claims this credit and then sells the piece of equipment 6 years later he will have to go back and recompute his tax returns and open them for those 6 years because he can keep but one-third of the tax credit.

If he sells the equipment within 4 years he will lose all of the tax credit and will have to recompute his return accordingly.

The average small taxpayer who does not employ an accountant on his payroll 12 months a year will not reopen his tax returns voluntarily for this claim. This proposal is even too complicated for a Harvard professor to understand.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. PROXMIRE. I should like to ask a question on the point so ably raised by the Senator from New York. Is it not true that the McGraw-Hill survey asked hundreds of businessmen whether they would use the tax credit, apropos the Senator's argument with respect to remachining and bringing up to date their equipment; and is it not true that the overwhelming majority said, "No"; and that the conclusion was that this proposal would have a very slight effect upon increasing modernization of equipment—about 1½ percent?

Mr. WILLIAMS of Delaware. Yes; small companies would pass it by almost entirely because they do not understand the complications of getting the credit.

Mr. PROXMIRE. Is it not also true that the National Industrial Conference made a similar survey and asked a thousand businessmen whether in 1962 they would use the proposed tax credit?

Mr. WILLIAMS of Delaware. That is true. Any provision which is so complicated that it requires the experts of the committee to devote 5 pages to an explanation of it is too complicated for the average taxpayer and is of no benefit to him.

Mr. PROXMIRE. Is it not also true that McGraw-Hill found that in the coming year the plans of business are to spend more on investment in plant and equipment than ever before in history—more than $1 billion more—and that 30 percent of that will be for modernization, without the investment credit?

Mr. WILLIAMS of Delaware. That is correct. I would support a liberalization of the present depreciation schedule, but I would want it done within the framework of the existing law so that every taxpayer, whether he be a farmer in Nebraska, Delaware, or Wisconsin, or a small businessman in any State, could compute his own tax return and know what he was paying. Why propose something so complicated that no one can understand it?

Mr. Walter A. Slowinski, speaking in behalf of the Chamber of Commerce of the United States, told the committee:

> The chamber again recommends against the adoption of this novel and untried preferential tax credit subsidy for business. It is also unnecessarily complex, and it will be difficult to administer.

Mr. AIKEN. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. AIKEN. Under this proposal, could an American business concern get credits for modernizing or reequipping a plant which it owned in another country?

Mr. WILLIAMS of Delaware. It is my understanding that it could if the machinery is bought in this country. If it were a subsidiary, I see no reason why that could not be done.

Mr. AIKEN. Suppose an American company decided to modernize its plant in this country, but purchased outside the United States the equipment for modernizing the plant. Would that company then be entitled to the credit?

Mr. WILLIAMS of Delaware. I see nothing in the bill to prevent it.

Mr. AIKEN. We know that most American manufacturers now have plants in other countries. If they were retooling, would they get credits regardless of whether they purchased the tools in the United States or bought them abroad?

Mr. WILLIAMS of Delaware. I have checked with the staff, and the answer is: Yes, they would get the credit, regardless of whether the tools were bought in this country or abroad.

Mr. AIKEN. Will the Senator consult with the staff member in regard to refitting plants owned in another country by another concern?

I realize that most of the plants in other countries are already modernized. But if they wished to install new equipment, would this credit be allowed if they used American equipment to modernize plants overseas?

Mr. WILLIAMS of Delaware. I am advised that if the equipment were purchased overseas and were used in plants in the United States, the 7-percent credit would still be allowed. If the equipment were purchased abroad and were used abroad the 7-percent credit would not be allowed.

Mr. AIKEN. But suppose a plant abroad was refitted with equipment purchased in the United States: Would the credit then be allowed?

Mr. WILLIAMS of Delaware. I am advised by the staff that it would not.

Mr. AIKEN. Then there would be no incentive to use American machine tools, regardless of whether a plant in the United States or a plant overseas was being refitted.

Mr. GORE. Mr. President, on the question of agreeing to this amendment, I ask for a rollcall vote.

Mr. WILLIAMS of Delaware. Mr. President, I join in the request for the yeas and nays.

Mr. SMATHERS. What amendment is this?

Mr. WILLIAMS of Delaware. The Byrd-Williams amendment.

The PRESIDING OFFICER (Mr. BURDICK in the chair). Is there a sufficient second?

The yeas and nays were ordered.

Mr. KEATING. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. KEATING. Does the amendment involve discrimination between companies—for example, between a company which has already modernized its plant and one which modernizes it after this law goes into effect? Would a company which has already modernized its plant be able to obtain the benefit of this investment credit? It would not be able to, would it?

Mr. WILLIAMS of Delaware. That is correct; a plant which does its modernizing before the effective date of the bill would not obtain any credit.

Mr. KEATING. What is the effective date of the bill?

Mr. WILLIAMS of Delaware. As the bill came from the committee the date was July 1, 1962.

Mr. KEATING. So modernizing completed prior to July 1 of this year would get no credit of this sort?

Mr. WILLIAMS of Delaware. That is correct. On the other hand, if the earnings during these years were not such as to enable them to claim the investment credit they could not use any of it.

Mr. KEATING. How long is the bill to continue in effect?

Mr. WILLIAMS of Delaware. Presumably indefinitely.

Mr. KEATING. That is the point I was about to make. If this credit fails, there is no guarantee that it will be repealed.

Mr. WILLIAMS of Delaware. No; no termination date is provided.

Mr. KEATING. But once enacted, it never would be terminated, would the Senator agree?

Mr. WILLIAMS of Delaware. I venture to say that it would soon be recognized for what it is; namely, an unwarranted windfall or subsidy, too complex in nature. Therefore it may well be repealed. Such a step could delay the long overdue correction of our depreciation rates.

I believe that if we are to do anything to change the depreciation formula we should do it in a way which will be understandable to the taxpayers, and we should also apply it to the construction of new buildings. But as the amendment now stands it does not apply to the construction of new buildings. But what good would new machinery be if it were installed in an old, obsolescent building? Unless this provision is applied across the board I do not believe we shall be accomplishing anything of any significant importance. But regardless of that weakness, a tax loss of $1 billion or $1.5 billion annually would be caused.

While this 7-percent investment credit as recommended by the Kennedy administration does not apply to building it does apply to racehorses and bulls. I am even advised that this tax credit would apply to the purchase price of alligators and snakes when purchased in the course of a business. Who says the New Frontier does not have ideas?

Mr. KEATING. Is it the experience of the Senator from Delaware that once tax loopholes—which is what I believe this amendment is—are established in the law, it is extremely difficult to get them taken out of the law?

Mr. WILLIAMS of Delaware. Yes. Furthermore, the Chamber of Commerce of the United States recognized this point as it opposed this credit. That organization certainly represents American industry, and one might think it would favor an amendment which would result in a tax reduction of $1 billion or $1.5 billion to American business. However, the Chamber of Commerce of the United States opposes the provision and calls it a subsidy. It says it does not want American business to be accused of getting such a subsidy. They recognize that subsidies are bound to be accompanied by greater government control of business.

Mr. KEATING. Mr. President, I thank the Senator from Delaware very much for the points he has made and the information he has provided.

I think the tax credit is essentially a gimmick. It would add a new provision to our tax code; and if it did not work, it never would be repealed. Over the years, it could be a multibillion-dollar blunder. There is no such thing as a temporary tax or a temporary tax credit.

Mr. President, in the last year I have received a grand total of six letters favoring the investment credit. This shows something of the enthusiasm with which it has been greeted by taxpayers. I would much prefer to see real rate reform, which would help little people as well as big, before we take a step like this.

The investment credit before us is an unproven experiment few people want, and that will cost over a billion dollars. It is part of a tax reform bill which will add substantially to our budget deficit at a time when, although the President promised a balanced budget, the fiscal 1963 budget is deep in the red.

This credit may be good; I am not saying it is necessarily bad. But I doubt very much that it is good enough to warrant a $1 billion increase in the national debt.

One final word: Depreciation is a tried and practical way to stimulate investment. I support the steps which have been taken to liberalize depreciation treatment. This is an established method. I think we should stick by it. If we need further depreciation reforms—either through legislation or through administrative action—let us do it. This would be far better than taking a gamble on a new tax gimmick which may not work, which will be with us forever, and which will cost the taxpayers of the Nation—big and little—at least a billion dollars a year.

Mr. WILLIAMS of Delaware. Mr. President, Mr. Harold Scaff, chairman of the tax committee of the National Association of Manufacturers, opposed this tax credit; he said:

> Investment credit would simply provide reduction in effective tax rates for taxpayers who use their income and other funds as the Government thinks is best for the economy at a particular time.
>
> There has been a tendency to promote and discuss the investment tax credit apart from the price which it would exact in terms of other changes in the tax law. Even without the exaction of such a price, we would oppose the credit for the reasons set forth in the appendix attached hereto. Very simply, we believe that tax reductions should be afforded by direct means. We would take this position even if, in our opinion, all of the other provisions of H.R. 10650 constituted sound tax policy.

Mr. MILLER. Mr. President, will the Senator from Delaware yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. MILLER. The Senator from Delaware knows there is a great deal of talk about making cuts in the tax rates, next year. Suppose next year Congress decides to cut the corporation and the individual tax rates. Is it the opinion of the Senator from Delaware that the investment credit would remain on the statute books, notwithstanding such further cuts?

Mr. WILLIAMS of Delaware. Presumably so. But I am sure that if this investment credit is enacted it will be taken into consideration when a decision is made on the question of whether to reduce the corporate tax rates. One cannot get around the fact that this is a tax cut of $1.25 billion or $1.5 billion for the benefit of American industry. A comparable reduction is not given to any other type of taxpayer—although it would go to all partnerships and individuals who purchase new equipment.

This provision will not accelerate the modernization of American industry. This is just a windfall on a discriminatory basis.

Suppose two competitive companies each invest $10 million in new equipment during 1962. One purchases its equipment in June and the other purchases its equipment in July. One company will get a $700,000 tax credit or windfall; the other company will get nothing.

Mr. MILLER. But if this amendment is enacted into law and remains on the statute books, and if next year a further reduction is made in the corporate tax rates, the result will be to compound the tax relief for one particular group in the American economy. In short, if next year a 3-percent tax-rate reduction is made across the board, taxpayers who were able to take advantage of this provision would have, in total, a 5-percent tax reduction—which would frustrate the congressional intent.

Mr. WILLIAMS of Delaware. Yes. Furthermore, if the intention is to have such tax relief why is it proposed that it be confined to machinery but not applied to new buildings? If the principle is sound why not have it apply across the board to everyone?

I think this amendment is only an entering wedge for the beginning of subsidies for the benefit of certain segments of American industry.

Mr. MILLER. Is it the understanding of the Senator from Delaware that the proponents of the amendment advocate it on the ground of the need for growth in our economy?

Mr. WILLIAMS of Delaware. Yes; they claim they want to increase the productive capacity of the American economy so that it will be better able to compete with the European Common Market. But if we accept that as a reason then I ask by what line of reasoning did the administration recommend that the investment credit apply to the purchase of racehorses, with the result that one who purchased a $100,000 racehorse would automatically receive a tax credit of $7,000—in other words, a tax reduction of $7,000. Just how would that enable the American economy better to compete with the European Common Market? Under the livestock provision bulls and even alligators are included.

Mr. MILLER. Along the same line, I was distressed to discover that the proposed tax credit would apply to the purchase of racehorses, but would not apply to the purchase of breeding livestock. I can see a greater relationship to growth of the economy by having the amendment apply to the purchase of breeding livestock than I can to having it apply to the purchase of racehorses.

Mr. WILLIAMS of Delaware. It did apply to both the purchase of racehorses and the purchase of bulls. But as the bill is before us the special tax reduction which would have been allowed those who purchase these bulls and racehorses has been stricken out. That provision was stricken out in the Senate committee. But as the bill now stands this investment credit would be allowed to those who purchase slot machines and all other types of gambling devices, barroom equipment, and all types of equipment used at racetracks. On the other hand, if a farmer in Iowa needed a new barn he would not be eligible for the tax credit. This administration considers racehorses, bulls, and gambling devices more essential than barns and warehouses or a new manufacturing plant.

Buildings necessary to house the equipment of a manufacturer would not be covered. On the other hand, if a man wished to start a gambling joint in one of the States in which gambling is legal all the equipment for the gambling joint would be covered by the special tax reduction on the premise that it would help our economy compete better with the European Common Market.

Mr. MILLER. Mr. President, I realize the validity of the point the Senator from Delaware is making, and I understand that he has pointed out that the proponents of this amendment anticipate that it will help the growth of our economy. But, as I recall, earlier today the Senator from Illinois pointed out that there may be a situation in which a taxpayer may invest in new equipment, but the investment may not even be equal to the amount of depreciation taken on his tax return; and in such a case it could well be that a corporation which had $200,000 of taxable income last year or this year might have only $150,000 of taxable income when it took advantage of the investment credit based on the $200,000 of taxable income in the previous year. In other words, the corporation might have gone backward, insofar as its income was concerned; but it still would reap the benefits of this tax provision, based on its income in the previous year.

Mr. WILLIAMS of Delaware. That is correct.

The representative of one of the largest corporations in the United States testified when he was before our committee in opposition to such a provision. He said it would be an unjustified subsidy and emphasized that his company is not asking for it. He pointed out that his company would benefit from it to the extent of approximately $75 million, but he stated that his company would not spend one additional dime on construction even if it were allowed the $75 million. I admire this company for its complete frankness, but if this Congress had no more sense than to pass that proposal, I am sure that their stockholders will insist that they take it.

Mr. MILLER. Mr. President, I note that the Senator from Illinois is on the floor. I wonder if the Senator from Delaware will yield to me so that I may ask a question of him which applies to the last question?

Mr. WILLIAMS of Delaware. I yield.

Mr. MILLER. I understood the Senator from Illinois to point out earlier today that a taxpayer might invest in equipment a certain sum of money and get the tax benefit under this provision notwithstanding the fact that the investment might be less than the combined depreciation deduction on his taxable income.

Mr. DOUGLAS. That is correct.

Mr. MILLER. Does the Senator from Illinois not recognize that if that happens we may have a situation where the taxpayer's taxable income has actually gone backward instead of grown, which is the purpose, as I understand, of this provision?

Mr. DOUGLAS. That is possible.

Mr. MILLER. If that is so, the Senator pointed out that the way the investment credit was originally proposed did not have that defect in it. Am I correct?

Mr. DOUGLAS. That is correct. The original proposal was for 15 percent investment credit on all sums invested in excess of depreciation and a 6-percent credit on the amounts invested between 50 percent of depreciation and 100 percent of depreciation, but nothing whatsoever if less than 50 percent of depreciation was provided.

This proposal provides 7 percent across the board for 10 percent of depreciation, 20 percent of depreciation, 50 percent of depreciation, or 80 percent of depreciation; and the bill has been transformed from one which aims to stimulate investment into one which rewards gross investment, not net investment, whether or not it meets depreciation charges.

Mr. MILLER. So the purpose of this provision, which is to stimulate growth, can well be frustrated under circumstances where the taxpayer has actually gone backward instead of grown?

Mr. DOUGLAS. That is correct. He will have grown with it.

Mr. WILLIAMS of Delaware. If the new machinery is merely to replace old machinery, he still gets credit, whether it is for expansion or not.

Much has been said about the fact that this provision would benefit the small businessman, a point to which I take exception. As I said before, not only is it too complicated, but under existing tax law there is a provision, not affected by this measure, whereby the small businessman can write off 20 percent up to $10,000 for any one year, and that 20 percent is in addition to the normal depreciation schedules. For example, if a piece of equipment has a 10-year life, he can write off 20 percent of it the first year and in addition claim another full 20-percent depreciation.

So we already have within the framework of existing law provisions which extend benefits to the small businessman, benefits which far exceed the benefits provided under the 7-percent investment credit proposal.

I ask unanimous consent that provisions of section 176, paragraphs (a) and (b), be printed at this point in the RECORD.

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

SEC. 179. ADDITIONAL FIRST-YEAR DEPRECIATION ALLOWANCE FOR SMALL BUSINESS.

(a) General rule: In the case of section 179 property, the term "reasonable allowance" as used in section 167(a) may, at the election of the taxpayer, include an allowance, for the first taxable year for which a deduction is allowable under section 167 to the taxpayer with respect to such property, of 20 percent of the cost of such property.

(b) Dollar limitation: If in any one taxable year the cost of section 179 property with respect to which the taxpayer may elect an allowance under subsection (a) for such taxable year exceeds $10,000, then subsection (a) shall apply with respect to those items selected by the taxpayer, but only to the extent of an aggregate cost of $10,000. In the case of a husband and wife who file a joint return under section 6013 for the taxable year, the limitation under the preceding sentence shall be $20,000 in lieu of $10,000.

Mr. WILLIAMS of Delaware. As I explained earlier, I have asked the staff of the committee to compile an explanation for the use of the taxpayer of the investment credit provision of H.R. 10650 as amended by the Senate Finance Committee.

If this is going to be the law, I think the taxpayers ought to be able to understand how it was intended to operate. It took the staff 5 pages to explain how a taxpayer can take advantage of this 7-percent credit if it is passed in the form now before the Senate.

I ask unanimous consent that the explanation be printed at this point in the RECORD.

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

EXPLANATION OF THE INVESTMENT CREDIT PROVISION OF H.R. 10650 AS AMENDED BY THE SENATE FINANCE COMMITTEE

The bill provides a credit which may be offset directly against income tax. Usually, this is 7 percent of "qualified investment." Investment which is eligible for the 7-percent investment credit is referred to in the bill as "qualified investment." Qualified investment includes both new property and up to $50,000 used property. Property qualifies for

the investment credit in the year it is placed in service by the taxpayer.

The percentage of investment which the taxpayer can take into account as qualified investment varies with the expected useful life of the property in his business. No part of the investment with a life of less than 4 years is taken into account, property with a life of 4 years up to 6 years is taken into account at one-third of the amount of investment made, property with a life of 6 to 8 years is taken into account on the basis of two-thirds of the investment made, and property with a longer life is taken into account at the full amount of the investment.

Public utility property is taken into account as qualified investment at three-sevenths of the cost of the property. As a result, in the case of 4- or 5-year public utility property one-seventh of the investment is taken into account; in the case of 6- or 7-year property, two-thirds is taken into account; and in the case of property with a life of 8 years or more, three-sevenths is taken into account.

Qualified investment is reduced in the case of property which is a replacement for other property destroyed or damaged by fire, storm, shipwreck, or other casualty or storm, where this property was insured. The amount treated as qualified investment in the case of the replacement property is reduced by the amount of the insurance or by the cost of the replacement property, whichever is the lesser.

The property taken into account as qualified investment must be purchased or otherwise acquired after June 30, 1962.

Used property also is eligible for the credit if purchased after June 30, 1962, but the amount which may be taken into account is limited to a maximum of $50,000 a year.

In the case of husband and wife filing separate returns, the used property with respect to each is limited to a maximum of $25,000, unless one of the two has not purchased any qualifying used property in which case the other is entitled to the full $50,000.

The tax credit may not exceed tax liability up to a level of $25,000 and may not exceed 25 percent of tax liability above this amount. Any tax credit which may not be used in this fashion can be carried back 3 years and forwarded 5 years and used as if it were a credit for that year or years.

The bill provides a special recapture rule. If property is disposed of before the end of its estimated useful life in the hands of the taxpayer and this period is less than 8 years, then the amount of the credit which may be taken is reduced in such a manner as if the estimated useful life of the property had initially been correctly estimated. However, this adjustment is made in the current year rather than in the prior year.

The bill provides that the cost or other basis of the property is to be reduced by 7 percent of the qualified investment. This reduction is for purposes both of depreciation to be taken subsequently and also in case the property is subsequently sold. If because of limitations the full amount of the credit cannot be taken—this can arise either because the property is sold and the credit is reduced or because the carryover and carryback do not permit the full use of the credit—then the taxpayer is allowed a special deduction from income equal to the amount by which the basis of his property was reduced but for which no credit was taken.

Only what is called section 38 property is treated as qualified investment under the bill. Most tangible personal property qualifies. Except for buildings and structural components, real property which is used in manufacturing, production or extraction or in furnishing transportation, communications, electrical energy, gas, water, or sewage disposal services also qualified. This is also true of real property other than buildings and structural components used for research or storage facilities in the case of any of the categories mentioned above.

There are, however, certain categories of property which are excluded from the definition of qualifying investment. These exclusions include:

(1) Most property used primarily for lodging.

(2) Most property used by tax-exempt organizations.

(3) Property used by governmental units.

(4) Most property used predominately outside of the United States.

(5) Livestock.

The bill also provides that a lessor may elect to treat investment as if made by the lessee rather than the lessor. If the lessor makes this election, the lessee is treated as if he had acquired the property himself. The useful life of the property in his hands, however, is the useful life in the hands of the lessor.

Special categories of taxpayers have their investment credit reduced on the grounds that they for one reason or another are not fully taxable. This includes mutual savings banks, savings and loan associations, regulated investment companies, cooperatives, and small business corporations treated in a manner similar to partnerships.

Mr. BUSH. Mr. President, I have a few comments to make about the bill. I am opposed to this amendment because I believe it is discriminatory. Take company A, for instance, which has gone ahead and improved its plant and modernized its equipment and completed this process, so that during the next 4 or 5 years it will not have to do further modernization. It would get no benefit whatsoever under this investment credit provision.

On the other hand, company B, which may be a less well managed company, a company which may be a larger or smaller company than company A, but has not been so farsighted, will get all of the benefit, for whatever it is worth, under the amendment.

I think, therefore, this is a discriminatory amendment. It discriminates against the efficient in favor of the inefficient. It discriminates against the forward looking, aggressive, adventurous business organization, and, conversely, it discriminates in favor of one that may be considerably less so. Therefore, on the ground of its discriminatory nature, I believe the investment tax credit should be deleted from the bill.

Secondly, I do not believe in selective tax treatment. I think, generally speaking, all taxpayers within groups, within industries, within any category, should be treated alike. Both large businesses and small businesses should be treated alike.

I also observe that there is no enthusiasm for this investment tax credit, so far as I have been able to find, among American businesses. This fact was admitted on the Senate floor this afternoon. My able and distinguished colleague from New York said that, although he finds little support for this tax credit, he thinks in due course it will be appreciated.

If I know anything about American businessmen, they are well able to determine for themselves what is likely to be beneficial to them, what is likely to induce them to go ahead and expand; and I do not think it needs interpretation from those who are not active in business management.

So I say if we are going to do something to stimulate activity in American business by way of expansion, extension of plant, and modernization, let us do it right. Let us do it in the way that the established leaders of business, the students who have gained their knowledge from experience, feel is apt to provide the necessary stimulation.

What does the business community think will stimulate expansion? I would say, offhand, two things. As my able and distinguished colleague from Delaware said a few moments ago, an increased depreciation allowance would have an effect. What has already been offered by the Treasury will no doubt have that effect to some extent; but I believe most American businessmen, if they had a chance, would vote, by a large majority, to increase depreciation allowances still further so as to take advantage, if you will, of the additional $1,200 million that this tax credit provision will take out of the Treasury. By putting into effect further depreciation allowances, there would really be a stimulating effect, and there would also be the advantage of treating all alike.

This would give everybody an equal opportunity, the small businessman as well as the large businessman. I believe this is the way taxes should work. They should not be discriminatory.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. BUSH. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. The Senator may be interested to know that I do not recall a single witness who appeared before the Senate Finance Committee during all of the lengthy hearings held who did not endorse the principle of a liberalization of the existing depreciation allowance as being far preferable to the investment credit.

Mr. BUSH. I thank the Senator for that observation. That being the case, I do not see why we should fly in the face of that kind of competent information merely because the administration has sent to the Congress this new idea to stimulate production or to stimulate business expansion of plant, and presumably to increase job opportunities.

I agree with the Senator from Delaware. My feeling is that this could be much more effectively done by a further liberalization of the depreciation allowances.

Secondly, what would be of equal value, or what would perhaps stimulate an even greater confidence in business, so that business might proceed to modernize and expand plant, would be a general revision of the income tax structure. I understand this problem is under consideration by the administration, by the House Committee on Ways and Means, and perhaps even by our own Committee on Finance. It is expected that in 1963 the Senate will consider a tax reform bill.

My fear is that, by passage of this kind of "gimmick" and this kind of tax bill, there will be an interference with and an inhibition against the possibilities of

enacting the kind of tax reform bill we should enact, which is long overdue.

I fear that the hodgepodge bill, which probably will result from Senate action, will interfere with accomplishing real tax revision in 1963.

I also venture to express the fear now that when we have finished our consideration of this bill and of the amendments which may be attached to it, it will be the biggest hodgepodge bill passed in my memory.

Where does the Tax Foundation stand in connection with this? I have not been informed that they have taken a favorable view of it at all. I have tried to find a word of testimony in favor of it from the highly expert organization known as the Tax Foundation in New York.

Where does the Committee for Economic Development, which is regarded to be an authority in matters of this kind, stand?

What does the National Association of Manufacturers have to say? This is the great industrial organization representing the manufacturers of this country. I understand that they are opposed to the investment tax credit.

I understand the Chamber of Commerce of the United States is opposed to it.

I understand that the American Federation of Labor and the CIO likewise are opposed to it.

All of these people have an interest in the expansion of American business, of American plant. They are interested in American economic growth. No one of these people is in favor of this provision. In fact, it appears that all of them are opposed to the investment tax credit scheme.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. BUSH. I yield to the Senator from Delaware.

Mr. WILLIAMS of Delaware. The Senator is correct. Not only are those organizations opposed to it, and vigorously opposed as the Senator has stated, but Mr. Charles B. Shuman, president of the American Farm Bureau Federation, likewise opposed it as being of no benefit to the American farmer or to the small businessman.

In fact, I have never seen a proposal on which there was such a unanimity of opinion in opposition. Several people said, "Surely; if Congress passes the bill we will take the money which is to be passed out, but it is an unwarranted subsidy." That phrase was repeated over and over again.

Mr. BUSH. I thank the Senator for his observation. I must say that over the years, I think, the American Farm Bureau Federation has taken very sound positions in respect to matters of this kind, affecting the economic life and the economic growth of the country.

If one talks to representatives of most companies privately, they say, "We are going ahead with our expansion program. We would be happy, perhaps, to get this windfall. If it is coming, we will take it. As a matter of fact, we will go ahead with our plans whether it is passed or not."

My final point is that I doubt very much whether it will offer any stimulation or create any new expansion of plant, which would not take place without an investment tax credit.

Mr. President, I have studied the hearings on the bill and the minority views, as well as the majority report. I am convinced that we would be far better off if we knocked the tax credit provision out of the bill.

CRATER-LONG LAKES DIVISION OF SNETTISHAM PROJECT, ALASKA

Mr. HICKEY. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside, and that the Senate proceed to the immediate consideration of Calendar No. 1744, S. 594.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 594) to authorize the construction, operation, and maintenance of the Crater-Long Lakes Division of the Snettisham project, Alaska.

The PRESIDING OFFICER. Is there objection to the request by the Senator from Wyoming?

Without objection, the unfinished business will be temporarily laid aside and the Senate will proceed to consider the bill.

The Senate proceeded to consider the bill (S. 594) to authorize the construction, operation, and maintenance of the Crater-Long Lakes Division of the Snettisham project, Alaska.

Mr. HICKEY. Mr. President, this bill would authorize the construction, operation, and maintenance of the Crater-Long Lakes Division of the Snettisham project in Alaska. Favorable reports on this proposal have been received from the executive agencies involved. The Senate Interior and Insular Affairs Committee has reported the bill favorably. However, because of an agreement entered into between the Secretary of the Army and the Secretary of the Interior relating to the construction of projects in Alaska by the Corps of Engineers rather than the Bureau of Reclamation, the Senate Committee on Interior and Insular Affairs recommended that the bill be re-referred to the Senate Committee on Public Works.

Mr. President, I move that S. 594 be referred to the Senate Committee on Public Works.

Mr. DOUGLAS. Mr. President, will the Senator yield for a question?

Mr. HICKEY. I yield.

Mr. DOUGLAS. I notice the two Senators from Alaska [Mr. BARTLETT and Mr. GRUENING] are not in the Chamber. I should like to ask if this proposal is satisfactory to them.

Mr. HICKEY. It is my understanding, I reply to the Senator from Illinois, since the report was given to me, that it is satisfactory and the action is being requested at the request of the Senator from Alaska [Mr. GRUENING].

Mr. DOUGLAS. Can the leadership assure me on this point?

Mr. SMATHERS. Mr. President, will the Senator yield so that I might ask the Senator a question?

Mr. HICKEY. I yield.

Mr. SMATHERS. I am curious as to whether the able Senator from Wyoming has cleared this with our majority leader.

Mr. HICKEY. When I was in the chair as Presiding Officer, the clerk from the committee was talking to the Senator from Montana [Mr. MANSFIELD], and he brought this bill up, handed it to me, and asked me if I would make the request. I presume it has been cleared.

Mr. SMATHERS. I wonder if the able Senator would mind postponing his request for about 15 minutes, until we can check this out?

Mr. HICKEY. Very well.

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. DOUGLAS. Mr. President, the opponents of the investment credit windfall are ready to vote now. I hope very much that there will be no further delays, and that we can proceed to a vote.

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

The PRESIDING OFFICER. The clerk will call the roll.

Mr. MILLER. Mr. President, I wonder if the Senator from Oklahoma will withhold his suggestion of the absence of a quorum, so that the Senator from Iowa may say a few words.

Mr. KERR. Mr. President, I withdraw the suggestion for the time being.

Mr. MILLER. Mr. President, I have noted a lot of confusion about this investment tax credit. First, I wish to point out that it is not to be tax reform, so far as depreciation is concerned. It has nothing whatsoever to do with depreciation. What it will be is a tax cut.

A person would figure up his tax bill, and then take a part of the tax bill off if he qualified under the provision. It would amount to a 7 percent portion of the total cost of new equipment or new assets for manufacturing purposes or farm purposes, with certain limitations.

In other words, if a person bought something new this year, after the effective date of the act, the language would apply, and it would apply to the extent of 7 percent. In the case of some small businessess, purchases could be made up to $50,000 worth of used equipment. Many of the small businesses cannot afford new equipment, but have obsolete equipment and could upgrade their equipment by buying some good used equipment.

The equipment must have a useful life of at least 4 years. I ought to point out that the 7 percent credit is not a definite thing by any means. It is a graduated proposition. If a taxpayer buys something and hangs onto it for over 4 years, he would receive only one-third of the credit. If he should hang onto it for over 6 years, he would receive two-thirds of the credit. If he should keep it for over 8 years, he would then—and only then—get the full credit, although ac-

tually he would get a tax cut in the year in which the asset was put into service. Then later on, if he disposes of it in less than 4 years, he would get no credit. He would have to refund the entire credit to the Government. Or if he disposed of it in less than 8 years, he would have to refund a portion of the credit.

To be fair about the proposal, there is something to be said about the inducement that the measure offers to invest in permanent type investments. In other words, the one-third-two-thirds proposition is designed to avoid a tax credit for someone who is merely going to take a quick tax deal and stay in the equipment for about 2 or 3 years and then get out and possibly sell it at a profit. The proposal is designed to encourage people to invest in assets that will have at least a life of 4 years, and preferably an 8-year life.

What is the reason for the proposed investment tax credit? I quote from the statement of the Secretary of the Treasury before the Senate Finance Committee. He summed up the policy very well. He said—

> It will stimulate investment in modernization and expansion of our industrial capacity, contribute to economic growths, and substantially increase the competiveness of American products abroad. We must increase our efficiency and our productivity to meet the competition of other nations which are already providing tax incentives for their businesses. In recent years, we have devoted less than 6 percent of our gross national product in investing in this productive capital, only one-half of the amount that West Germany has been devoting, only 60 percent of the combined average of the European nations that form the Common Market. And we must have a more satisfactory rate of capital formation.

Mr. President, with the Secretary's statement of the existing situation and the need for improvement I agree 100 percent. But I certainly disagree 100 percent with his proposed solution. I think we ought to make clear, first, that this is one of the unusual times when we find normally opposite groups going hand in hand together to oppose a piece of legislation. As has already been pointed out, the National Association of Manufacturers, on the one hand, and the American Federation of Labor and the Congress of Industrial Organizations on the other, normally opposed on legislation, are very much together on the proposal.

But it seems to me, getting at the merits of the proposal, the worst feature of it is that it would be highly discriminatory. A businessman who in prior years had been keeping his plant up by putting in new equipment and modernizing his plant might have a competitor down the road who had not been doing so at all. All of a sudden the competitor would find that he could have a nice juicy tax credit. Who would pay for it? The one who would pay for it is the fellow who had been doing the job of modernizing down through the years.

I suggest another case. Assume a corporation has been making a good profit but has been putting some of its profit aside for investment in good plant and good machinery, instead of paying all of its profit out as dividends. Another competitive corporation has been literally milking all the profits out in the form of dividends and its plant has become obsolete. The second corporation in effect would receive a tax windfall under the proposal.

In fact, the tax investment credit would almost put a premium on past inefficiency. I certainly hope that the pending motion will prevail.

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

Mr. MILLER. I yield.

Mr. CURTIS. What about the situation in which the taxpayer some time prior to the effective date of the proposal had already expanded or improved his plant and was carrying a debt load for it. Would he receive any tax credit?

Mr. MILLER. He would receive nothing at all. No effort has been made by the proponents of the legislation to make it retroactive and give some tax benefit to a taxpayer in that position.

Mr. CURTIS. The proposal applies not only to plant renewal and improvement but also to plant expansion, so far as machinery is concerned.

Mr. MILLER. That is correct.

Mr. CURTIS. Suppose the taxpayer is engaged in business in an area in which the prudent thing to do would be not to expand. If he followed that prudent course, he would not receive any tax deduction.

Mr. MILLER. That is correct.

Mr. CURTIS. How about the taxpayer that would expand anyway? He might get a windfall out of the proposal. Is that true?

Mr. MILLER. That is correct.

Mr. CURTIS. In the payment of that windfall, would the economy be spurred to any more construction or any more jobs by reason of the passage of the proposal?

Mr. MILLER. The Senator has already anticipated my answer as "no," because he has pointed out the situation in which the expansion would take place regardless of the provision.

Mr. CURTIS. Will the distinguished Senator in a few words, in layman's language, tell us the difference between a depreciation allowance or deduction and a tax credit?

Mr. MILLER. The depreciation allowance is a deduction which is used in arriving at the amount of taxable income. To the taxable income tax rates are applied. On the other hand, the investment credit is a cut in the tax bill that has been arrived at after applying the tax rates to the net taxable income.

Mr. CURTIS. In other words, it would reduce the amount of the tax owed.

Mr. MILLER. That is correct.

Mr. CURTIS. On the net profit.

Mr. MILLER. That is correct. That is why I wish to reemphasize that there is absolutely no relationship whatsoever between the investment credit and depreciation.

Mr. CURTIS. One more question. I do not wish to delay the Senate. What is the practical difference between allowing a taxpayer a tax credit and having the taxpayer pay his full taxes and then receive a subsidy check back from the Treasury? There is no difference, is there?

Mr. MILLER. In the first place, one can have a check back from the Treasury in this situation in which he has had a tax. But he may have depreciation which he must take even thought he does not.

Mr. CURTIS. I am not speaking about depreciation. In the proposed incentive credit, mathematically it would amount to the situation of a taxpayer paying the full amount of his tax and then receiving back from the Treasury a check for the amount of the credit.

Mr. MILLER. Yes. The Senator is absolutely correct.

Mr. CURTIS. I thank the Senator.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield for a question?

Mr. MILLER. I yield to the Senator from Delaware for a question.

Mr. WILLIAMS of Delaware. We have before our committee the so-called trade act. Under that proposal the President would be given authority to cut the tariffs of certain industries up to 50 percent and, in some instances, 100 percent. In return for that he is supposed to obtain concessions from the European Common Market and other countries with which we could increase our exports. It is recognized that the proposal would cause some industries to suffer. Some industries would greatly benefit. The industries which would suffer would naturally have no reason for expansion—in fact, they would be faced with all they could do to hold their own, and may even be on the way out.

Under the proposed tax investment credit as contained in the bill, the tax credit would go to those industries which would benefit most from the trade program, and those which would be penalized by it would be penalized even more under this provision of the bill, because they would have no way of taking advantage of the tax reduction.

Mr. MILLER. We would add insult to injury. The Senator has pointed out another very important area of discrimination which this provision would permit.

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

Mr. HICKEY. Mr. President, will the Senator withhold that suggestion for a moment?

Mr. KERR. I withhold it.

CRATER-LONG LAKES DIVISION OF SNETTISHAM PROJECT, ALASKA

Mr. HICKEY. Mr. President, I ask unanimous consent that the Senate temporarily lay aside the pending business and proceed to the consideration of Calendar No. 1744, S. 594.

The PRESIDING OFFICER. The clerk will state the bill by title.

The LEGISLATIVE CLERK. A bill (S. 594) to authorize the construction, operation, and maintenance of the Crater-Long Lakes division of the Snettisham project, Alaska.

The PRESIDING OFFICER. Is there objection to the request?

There being no objection, the Senate proceeded to consider the bill.

Mr. HICKEY. Mr. President, I move that the bill (S. 594) be referred to the Committtee on Public Works. This is in line with the request of the Senators from Alaska and the Committee on Interior and Insular Affairs. It has been cleared on both sides.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Wyoming.

The motion was agreed to.

AMENDMENT OF TITLE 38, UNITED STATES CODE, TO PROVIDE INCREASES IN RATES OF DISABILITY COMPENSATION

Mr. MANSFIELD. Mr. President, I ask that the Chair lay before the Senate the amendment of the House to the amendment of the Senate to H.R. 10743. This procedure is satisfactory to all concerned, and I ask that it be approved.

The PRESIDING OFFICER (Mr. LAUSCHE in the chair) laid before the Senate the amendment of the House of Representatives to the amendment of the Senate to the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes, which was, to strike out the language proposed to be inserted by the Senate amendment and insert in lieu thereof the following: "the first calendar month which begins after the date of enactment of this Act, but no payments shall be made by reason of this Act for any period before such effective date. The increased rate of compensation payable to any veteran entitled thereto on such first day shall be further increased, for such month only, in an amount equal to three times the monthly increase provided for such veteran by the amendments made by this Act."

Mr. JAVITS. Mr. President, is this the veterans' disability compensation bill?

Mr. MANSFIELD. It is.

Mr. DIRKSEN. Mr. President, the Senate approved an amendment I offered to make payment beginning July 1. The Veterans' Administration will do that; but under the House amendment, by using a different procedure, about $500,000 in administrative expenses can be saved. In that action, we full concur, because the intent and purpose of the bill will be carried out.

Mr. JAVITS. Mr. President, will the Senator from Illinois yield?

Mr. DIRKSEN. I yield.

Mr. JAVITS. The Senator from Illinois, in his own quiet way, acting with celerity, deprives us of an opportunity to comment upon the importance of the amendment. We in New York have much experience with disabled veterans. I have an office in New York which deals almost primarily with that subject. I had the privilege of addressing the Disabled American Veterans at their convention about a week ago. I can testify to the Senator from Illinois personally that he will have earned, by this amendment, and with the concurrence of the distinguished majority leader, I know, the profound gratitude of the veterans concerned. It is a bipartisan effort, long overdue, and most gratifying, but it should be said that the Senator from Illinois moved so quickly that no other Senator had an opportunity to say so.

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

Mr. LONG of Louisiana. Mr. President, I believe, as the Senator from Illinois has suggested, that the House amendment carries out what the Senator from Illinois had attempted to do. I had two amendments at the desk, one to make the effective date June 1, and one to make the effective date August 1. I hoped one would be agreed to, and the Senate agreed to the amendment offered by the Senator from Illinois, making the effective date July 1. The amendment which comes to us from the House carries out the same intent. It makes a technical change so that checks may be received by veterans at an earlier date. It will also save a large amount in administrative expense.

Mr. MANSFIELD. Mr. President, when the Senator from New York used the word "celerity," he was understating the case. I think "lightning" would be a better description of the action.

Not only do I compliment and commend the distinguished minority leader for his action; I also thank the distinguished Senator from Louisiana [Mr. LONG] for the cooperation and accommodation which he accorded the leadership on both sides of the aisle in helping to bring up the bill and in helping, in part, to bring about something in the way of a retroactive provision. Both the Senator from Louisiana and the Senator from Illinois have performed a great work.

The PRESIDING OFFICER. Without objection, the amendment of the House to the amendment of the Senate is concurred in.

ORDER FOR ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the business for today has been concluded, the Senate adjourn until 10 o'clock tomorrow morning.

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

REVENUE ACT OF 1962

The Senate resumed the consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

Mr. DOUGLAS. Mr. President, the opponents of the giveaway of the $1,300 million annual giveaway, in the form of the investment credit, are ready to vote. Let us have no more delays. The yeas and nays have been ordered. Let us proceed to vote.

Mr. KERR. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KERR. Does the Senate decide when it votes, or does the Senator from Illinois decide when it votes?

The PRESIDING OFFICER. The Senate decides the question.

Mr. MANSFIELD. I ask unanimous consent that the Senate vote in 2 minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Mr. President, I should like to read a part of a letter which I have received from the Secretary of the Treasury.

Mr. SMATHERS. Mr. President, may I ask the majority leader whether he intends that we have a quorum call before we vote?

Mr. MANSFIELD. Not necessarily.

The letter from the Secretary of the Treasury is dated August 27, 1962, and it is addressed to me. In part, it reads as follows:

> The central element of the President's recommendations was the need for an incentive for investment in machinery and equipment that would stimulate a higher rate of economic growth and better enable our industry to compete in markets at home and abroad. The investment credit contained in this bill will operate as a powerful stimulus to investment. In combination with the Treasury's recent administrative reform of depreciation, the credit will, at long last, give to American business tax treatment on new investment in machinery and equipment approaching that of its chief competitors in Western Europe, Canada, and Japan. Its adoption will constitute a major advance toward our national goals of greater economic growth and the increased productive efficiency and competitiveness necessary to a solution of our balance-of-payments problem.

I yield back the remainder of my time.

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent that there may be printed at this point in the RECORD the statements in opposition to this provision as made by the AFL–CIO, the National Association of Manufacturers, the American Farm Bureau Federation, and the Farmers Union as shown at pages 348 and 349 of the committee report.

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

> Stanley H. Ruttenberg, research director, AFL–CIO, urged the committee to "delete this provision from the bill," because those he represented thought:
>
> "It is a multi-billion-dollar windfall that will not really contribute anything to our national goals and will not relieve our balance-of-payments problems as it is claimed."
>
> Walter Slowinski, appearing in behalf of the U.S. Chamber of Commerce, with respect to the "investment credit" provisions, said:
>
> "The chamber again recommends against the adoption of this novel and untried preferential tax credit subsidy for business. It is also unnecessarily complex, and it will be difficult to administer."
>
> Harold H. Scaff, chairman, Tax Committee, National Association of Manufacturers, said "investment credit would simply provide reduction in effective tax rates for taxpayers who use their income and other funds as the Government thinks is best for the economy at a particular time."
>
> "There has been a tendency to promote and discuss the investment tax credit apart from the price which it would exact in terms of other changes in the tax law. Even without the exaction of such a price, we would oppose the credit for the reasons set forth in the appendix attached hereto. Very simply, we believe that tax reductions should be afforded by direct means. We would take

this position even if, in our opinion, all of the other provisions of H.R. 10650 constituted sound tax policy."

Charles B. Shuman, president, American Farm Bureau Federation, took the position that "these provisions are both unsound and likely to have a number of undesirable effects. It would be far better to liberalize the treatment of depreciation and work toward a general reduction in income tax rates."

"The proposed investment credit is a selective form of tax relief—in reality a subsidy. * * * The result would be to give some taxpayers a competitive advantage at the expense of others."

Although the Farmers Union did not send a representative to testify directly before the Finance Committee, a communication signed by James G. Patton, president, National Farmers Union, published in the CONGRESSIONAL RECORD of March 29, 1962 (p. 5417), said:

"Urge your influence to delete provision giving huge private corporations operating at less than full capacity over $11½ billion and private electrical power monopoly over $100 million in tax subsidies which would result in the flight of capital overseas and further aggravate the dollar crisis."

Mr. COTTON. Mr. President, after careful consideration and a great deal of soul searching, I have decided to cast my vote in favor of the investment credit provisions of section 2 of the pending tax bill, H.R. 10650. This is the central item in the bill and it allows a 7-percent credit against tax for most taxpayers for their purchases of machinery, equipment, and certain other property.

The fundamental purposes of the provision, as the President and the Secretary of the Treasury have repeatedly emphasized, are to stimulate our economy, to help American industry compete more effectively for markets at home and abroad, and to help alleviate our serious balance-of-payments problem.

I cannot escape the feeling that the section is not the best or fairest approach to those problems. It is discriminatory and costly. But it is also the studied recommendation of the President at a time when the Nation is faced with a sluggish, listless economy. Furthermore, we are faced, in the closing weeks of this session, with only the choice of saying yes or no. It is too late to start anew with the long process of drafting new proposals in this complex field.

To reject the provision means doing nothing. It means ignoring the state of the economy, and turning down the remedy sought by the President. If we accept the provision we have at least made an effort to do something beneficial for the economy, and an effort to help get the country moving again.

Therefore, I shall vote for the provision of section 2 as recommended by a majority of the committee.

Mr. KERR. Mr. President, I suggest the absence of a quorum. I have suggested it three times, and three times I have yielded for other purposes. I now suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GORE. Mr. President, in view of the agreement, I ask unanimous consent that further proceedings under the call be dispensed with.

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

The question is on agreeing to the amendment offered by the Senator from Virginia [Mr. BYRD] and other Senators, to strike all of section 2, as amended, beginning at line 8 page 8, down to and including line 16 of page 38. The yeas and nays have been ordered, the clerk will call the roll.

The legislative clerk called the roll.

Mr. MANSFIELD (after having voted in the negative). Mr. President, on this vote I have a live pair with the Senator from Ohio [Mr. LAUSCHE]. If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I therefore withdraw my vote.

Mr. HUMPHREY. I announce that the Senator from Nevada [Mr. BIBLE], the Senator from Michigan [Mr. HART], the Senator from Ohio [Mr. LAUSCHE], the Senator from Wyoming [Mr. MCGEE], and the Senator from Massachusetts [Mr. SMITH] are absent on official business.

I further announce that the Senator from New Mexico [Mr. ANDERSON], the Senator from Alaska [Mr. GRUENING], the Senator from Missouri [Mr. LONG], and the Senator from Missouri [Mr. SYMINGTON] are necessarily absent.

On this vote, the Senator from Alaska [Mr. GRUENING] is paired with the Senator from Missouri [Mr. SYMINGTON].

If present and voting, the Senator from Alaska would vote "yea," and the Senator from Missouri would vote "nay."

I further announce that, if present and voting, the Senator from Missouri [Mr. LONG], and the Senator from Massachusetts [Mr. SMITH] would each vote "nay."

On this vote, the Senator from Montana [Mr. MANSFIELD] is paired with the Senator from Ohio [Mr. LAUSCHE]. If present and voting, the Senator from Montana would vote "nay," and the Senator from Ohio would vote "yea."

Mr. KUCHEL. I announce that the Senator from South Dakota [Mr. BOTTUM], the Senator from Indiana [Mr. CAPEHART], the Senators from Kansas [Mr. CARLSON and Mr. PEARSON], the Senator from Idaho [Mr. JORDAN], the Senator from New Hampshire [Mr. MURPHY], and the Senator from Texas [Mr. TOWER] are necessarily absent.

The Senator from Wisconsin [Mr. WILEY] is detained on official business.

If present and voting, the Senator from Indiana [Mr. CAPEHART], the Senator from Idaho [Mr. JORDAN], the Senator from New Hampshire [Mr. MURPHY], and the Senator from Kansas [Mr. PEARSON] would each vote "nay."

On this vote, the Senator from Texas [Mr. TOWER] is paired with the Senator from Kansas [Mr. CARLSON]. If present and voting, the Senator from Texas would vote "yea," and the Senator from Kansas would vote "nay."

The result was announced—yeas 30, nays 52, as follows:

[No. 221 Leg.]

YEAS—30

Aiken	Bartlett	Burdick
Allott	Boggs	Bush
Byrd, Va.	Hruska	Proxmire
Cannon	Keating	Robertson
Chavez	Kefauver	Russell
Curtis	McNamara	Saltonstall
Douglas	Miller	Stennis
Goldwater	Morse	Thurmond
Gore	Neuberger	Williams, Del.
Hickenlooper	Prouty	Yarborough

NAYS—52

Beall	Hartke	Monroney
Bennett	Hayden	Morton
Butler	Hickey	Moss
Byrd, W. Va.	Hill	Mundt
Carroll	Holland	Muskie
Case	Humphrey	Pastore
Church	Jackson	Pell
Clark	Javits	Randolph
Cooper	Johnston	Scott
Cotton	Jordan, N.C.	Smathers
Dirksen	Kerr	Smith, Maine
Dodd	Kuchel	Sparkman
Eastland	Long, Hawaii	Talmadge
Ellender	Long, La.	Williams, N.J.
Engle	Magnuson	Young, N. Dak.
Ervin	McCarthy	Young, Ohio
Fong	McClellan	
Fulbright	Metcalf	

NOT VOTING—18

Anderson	Hart	Murphy
Bible	Jordan, Idaho	Pearson
Bottum	Lausche	Smith, Mass.
Capehart	Long, Mo.	Symington
Carlson	Mansfield	Tower
Gruening	McGee	Wiley

So the amendment offered by Mr. BYRD of Virginia, for himself and other Senators, was rejected.

Mr. KERR. Mr. President, I move that the vote by which the amendment was rejected be reconsidered.

Mr. HUMPHREY. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Pursuant to the agreement, the clerk will state the first committee amendment passed over.

The CHIEF CLERK. On page 41, in line 18, and on page 42, in lines 4 and 7, after the words "related to" it is proposed to insert the words "or associated with."

Mr. GORE. Mr. President——

Mr. HUMPHREY. Mr. President, will the Senator from Tennessee yield to me, so that I may make an inquiry?

Mr. GORE. I yield.

Mr. HUMPHREY. I wish to inquire whether the Senator from Tennessee hopes the Senate will vote tonight on this amendment. I ask this question so that we may have some information for the guidance of Senators.

Mr. GORE. I do not anticipate that the vote on the amendment will be taken tonight.

Never before did so much money hang on so few words. That is what this amendment involves. I expect to discuss the amendment, not in a dilatory way, but at some length. The amendment goes to the very heart of the expense account abuse. If the Senate wishes to leave the abuses of expense accounts as they are and permit them to go even further, and permit them to become worse, the Senate will adopt the committee amendment. But this is such a serious question that I expect to discuss it at some length. This concerns one of the scandals of our country. One of the slogans that has become a symbol of cheating is "it is deductible."

So I expect to speak at considerable length against the amendment. I do not

mean to say that I shall speak for a day or two——

Mr. HUMPHREY. I understand.

Mr. GORE. I am not threatening; but I do not think we shall soon reach a vote on the amendment.

Mr. HUMPHREY. I wish to make clear that the Senator from Tennessee has not been dilatory. He has been most cooperative.

Mr. GORE. I thank the Senator from Minnesota.

Mr. HUMPHREY. But several Senators have asked the majority leader or me about the schedule.

I believe the amendment should be debated, and I have no intention of indicating to the contrary.

Mr. GORE. In my judgment in this case the Senator from Tennessee and the Senators associated with him are representing the administration; and that point should be made crystal clear before the debate on the amendment is concluded.

Mr. SMATHERS. Mr. President, will the Senator from Tennessee yield?

The PRESIDING OFFICER (Mr. PELL in the chair). Does the Senator from Tennessee yield to the Senator from Florida?

Mr. GORE. I yield.

Mr. SMATHERS. That is just the opposite from the position of the Senator from Tennessee and the Senators associated with him on the amendment which was voted on a few minutes ago.

Mr. GORE. That is debatable. The provision now in the bill with respect to investment credit bears but little resemblance to what the President requested.

Mr. SMATHERS. The President originally requested 15 percent. It was later, I believe, reduced to 11 percent, and then 7 percent. So I do not think the Senator can take the view that he was on the President's side when he opposed investment credit.

Mr. GORE. I am not sure the junior Senator from Florida misunderstands it as much as his statement might lead one to conclude.

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

Mr. GORE. In just a moment.

I think the Senator from Florida understands that the provision recommended by the President was 15 percent of net investment, intended as a reward for concerns which invested in plant and facilities over and beyond their depreciation allowance. What we have now is a tax reduction for almost everybody who buys a depreciable item.

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

Mr. GORE. I yield to the Senator from Oklahoma.

Mr. KERR. The Senator from Tennessee is aware of the fact that the last thing the majority leader read into the RECORD was a letter from the Secretary of the Treasury, Mr. Dillon, in which he specifically stated that, speaking for the administration, he favored the tax credit provision before the Senate and urged that it be approved; is he not?

Mr. GORE. I heard the letter read, and I challenge the Senator from Oklahoma to obtain a similar letter recommending approval of wide-open expense accounts.

Mr. KERR. The Senator from Oklahoma was not talking about that——

Mr. GORE. I challenge the Senator——

Mr. KERR. The Senator from Tennessee would like to run from the corner into which he has been maneuvered. If he wants to escape, I always believe in giving the Senator the opportunity to escape.

Mr. GORE. I am willing to have the Senator from Oklahoma call Secretary Dillon and see if he can get a letter approving this amendment.

Mr. KERR. If the Senator from Oklahoma does so, will the Senator from Tennessee vote for it?

Mr. GORE. No; I would not vote for it. There are many reasons which influence me otherwise. These three little words sound innocent enough, "in association with"——

Mr. KERR. I would like to correct the Senator.

Mr. GORE. "Or associated with."

Mr. KERR. "Or associated with."

Mr. GORE. My friend is correct. He can be correct in the little things and wrong in the big things more often than any other man I know.

Mr. KERR. I thank the Senator, because to that degree I am ahead of him.

Mr. GORE. This raises a question. Since he and I have been in disagreement so often of late, I do not know how the Senator could claim to be too far ahead if he uses contrary positions as a measure.

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

Mr. GORE. I yield.

Mr. KERR. If we were in disagreement all the time, would not that have to prove that the Senator from Oklahoma thought he was correct in his statement?

Mr. GORE. It is not all the time. There is a measure left for the Senator from Oklahoma to have an edge in error on the junior Senator from Tennessee.

Mr. KERR. At the end.

Mr. GORE. I am willing to concede that the edge may get thin between friends.

Mr. President, I started to say that these three words sound innocent enough, but when I read the committee report, which gives the committee's legislative intent, and therefore the legal effect and meaning of the three little words, I am unable to determine any item of personal expense that is now deductible under the scandalous practices that prevail today which would not be deductible under this amendment as interpreted by the committee report. As the meaning of these three words is interpreted by the report, this is a formula for tax cheating.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. Where does the Senator get the idea that a clearly deductible item is tax cheating? It seems to me that if the law says one owes something, he owes it; and if he does not pay, he is cheating. But if something is deductible under law, and intended to be so, I cannot see where the Senator gets the idea that a person is cheating if he takes a deduction he is entitled to take in his income tax accounting.

Mr. GORE. The Senator would maintain then, I take it, that there is no cheating under practices which now, unfortunately, prevail?

Mr. LONG of Louisiana. The Senator from Tennessee may have a different point of view from that of the Senator from Louisiana, but it is my theory that if one takes a deduction which is permitted under law, he is not cheating. If he attempts to take one that is not permitted, if he falsifies, if he misrepresents a fact, if he does something the law never intended that he could do, he is cheating; but if he has the right to deduct something—and I am talking about this amendment—such as the expense of taking to lunch or dinner someone he is trying to do business with, if it is clearly intended that the cost of entertaining someone a person is trying to do business with, or hoping to do business with, is a deductible item, and the law intends that a person may be permitted to take such deduction, how does that become cheating?

So far as this Senator is concerned, I hope the Senator from Tennessee is not trying to contend that someone is cheating if he takes a deduction which the law intended to permit him to take.

Mr. GORE. I take it, then, that the junior Senator from Louisiana would maintain that no cheating is involved in the scandalous practices which now prevail, and which were cited by the President of the United States and the Secretary of the Treasury in messages to the Congress and in testimony before committees of both Houses of Congress? Do I correctly understand the Senator to maintain that there is no cheating involved in present practices?

Mr. LONG of Louisiana. May I answer in my own words?

Mr. GORE. Certainly.

Mr. LONG of Louisiana. My answer is that I have not even seen an example of what the Senator is referring to, though I can guess what it may be.

My answer is that if the person, for example, took a man and his wife to dinner, in the hope of doing some business, or entertained them at a theater, not being in the theater business himself—a practice which might be expected of one in his business or, as Secretary Dillon said, to be expected in a particular business, even though he did not recommend being able to deduct the expense—if the court said that the man could deduct the expense, and the legislative history in the Congress permitted that deduction, in my judgment that would not be cheating.

If a man wrote down on an expense account somewhere a claim that he had entertained somebody he had never entertained, I would regard that as cheating. But this Senator does not think that someone is cheating when he merely takes a deduction or engages in a course of conduct which the law permits.

If the Senator wants the conduct outlawed, Congress could outlaw it, but I do not proceed on the assumption that

a man violates tax law if the Congress never passes a law to tax him.

Mr. GORE. I think the Senator makes himself clear. He splits a legal hair and says that if a man can get by with it under present law that is not cheating. He does not say that it is morally right. He does not say that it is not tax avoidance. As I understand the Senator, he says that under the law it is not cheating.

Let me read to the Senator what the President of the United States said about it:

> In recent years widespread abuses have developed through the use of the expense account. Too many firms and individuals have devised means of deducting too many personal living expenses as business expenses, thereby charging a large part of their cost to the Federal Government. Indeed, expense account living has become a byword in the American scene.
>
> This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices as well. This widespread distortion of our business and social structure is largely a creature of the tax system, and the time has come when our tax laws should cease their encouragement of luxury spending as a charge on the Federal Treasury. The slogan—"It's deductible"—should pass from our scene.
>
> Tighter enforcement of present legislation will not suffice. Even though in some instances entertainment and related expenses have an association with the needs of business, they nevertheless confer substantial tax-free personal benefits to the recipients. In other cases, deductions are obtained by disguising personal expenses as business outlays.

Mr. President, I digress a moment from reading the President's message to point out that another form of the word "associated" which the committee proposes to insert into the bill is contained in the sentence I have read from the Presidential message. I read it again:

> Even though in some instances entertainment and related expenses have an association with the needs of business, they nevertheless confer substantial tax-free personal benefits to the recipients. In other cases, deductions are obtained by disguising personal expenses as business outlays.

Mr. CLARK. Mr. President, will the Senator yield for a question?

Mr. GORE. I will yield in a moment. I digress again from reading the President's message.

As the President has said, when a citizen disguises personal expenses as business outlays, I say to my friend from Louisiana that that is cheating.

I yield to the Senator from Pennsylvania.

Mr. CLARK. Mr. President, I would dislike to see the debate involve a question of semantics. I should like to ask the Senator a question in that regard.

I see no particular need to let the argument depend upon whether under present practices tax cheating is going on at a great rate. Does not the Senator agree with me that the committee amendment would require no substantial change in current expense account procedures?

Mr. GORE. When one reads the committee report carefully—it must have been devised by a shrewd tax lawyer from Philadelphia——

Mr. CLARK. I thank my friend for the implied rebuke.

Mr. GORE. I did not mean it as a rebuke. I was referring to the traditional competence of a Philadelphia lawyer.

Mr. CLARK. I thank my friend for his explanation.

Mr. GORE. When one reads the majority report of the committee, the authorship of which to me is unknown, one can only conclude, it seems to me, that the adoption of the amendment, with the legislative intent given by the majority report, would make the situation worse instead of better, because it would place legislative approval upon a whole line of unfortunate decisions and practices which help to constitute the pattern of abuse which the President has so accurately described.

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. GORE. I yield.

Mr. CLARK. The Senator has been a member of this body far longer than I have. This is my sixth session. I have followed the Senator's lead on the question of expense account deductions ever since I became a Senator. The Senator attacked certain practices even before I became a Member of this body.

I had the privilege of being the author of an amendment—we called it the "anti-swindle-sheet amendment"—which passed the Senate on one occasion. It was promptly "kicked out" in conference by conferees who had voted against it in the Senate.

I wonder if the Senator would agree with me that under present law, which I gather would be made even worse under the committee amendment, open, notorious, scandalous, unethical and morally wrong practices are rampant in America today in connection with expense account deductions from income taxes.

Mr. GORE. I adopt the words used by the Senator from Pennsylvania. I have read from the message of the President of the United States equally strong words. He said, "deductions are obtained by disguising personal expenses as business outlays."

Mr. CLARK. Mr. President, will the Senator yield further?

Mr. GORE. I yield.

Mr. CLARK. The Senator will recall the famous case of the Pennsylvania couple who operated a dairy business in Erie, Pa. They took a safari to Africa, by way of London, Paris, and Rome. They ran up bills of more than $20,000. When they came back to America, they were allowed by the Tax Court of the United States to deduct those bills for a personal and private safari to Africa as a proper business expense deduction, and the deduction was held to be in accordance with the present law.

Mr. GORE. I remember that case. It is one of the many unfortunate decisions which have helped to create such a pattern of tax avoidance, tax abuse, and tax cheating under present law.

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

Mr. GORE. I yield.

Mr. CLARK. Does the Senator recall further the notorious case of a very lovely and able motion-picture actress who, some years ago, was held entitled to deduct as a business expense a gift of very expensive jewelry to her makeup assistant and to her director on the ground that she had to make the gift in order to keep up with the Joneses in Hollywood, and that was held to be a proper business expense. The name of the lovely lady was Olivia DeHavilland, in case my friend needs assistance to his memory.

Mr. GORE. My memory of the loveliness of the lady prevents my remembering anything bad about her.

Mr. CLARK. I thank my friend. Since I love her as much as he, we should not be permitted to refer to the subject further on the floor of the Senate.

Will the Senator yield further?

Mr. GORE. I yield.

Mr. CLARK. Would the Senator not agree with me that as a result of present interpretation by the courts that expense deductions of hundreds of millions of dollars of tax revenue, which in accordance with any elementary system of justice and equity should be paid into the Treasury of the United States, are being lost, with the result that other taxpayers who do not live the same kind of life, who do not go on safaris to Africa, who do not engage in making expensive gifts of jewelry to people associated with them in business, who do not have private yachts, who do not have private hunting lodges, who do not go to the Stork Club and New York theaters with Uncle Sam paying 52 cents of every dollar of the money that is spent there, must themselves pay far higher taxes than otherwise would be the case?

Mr. GORE. I fully agree. The President has made that point very clearly.

Mr. LONG of Louisiana. Mr. President, will the Senator yield while he is talking about the safari?

Mr. GORE. Not now.

Mr. LONG of Louisiana. The Senator is very wise.

Mr. GORE. I shall finish reading the President's message, and then I shall be glad to yield. Continuing to read the President's statement:

> But under present law, it is extremely difficult to separate out and disallow such pseudobusiness expenditures. New legislation is needed to deal with the problem.
>
> I therefore recommend that the cost of such business entertainment and the maintenance of entertainment facilities (such as yachts and hunting lodges) be disallowed in full as a tax deduction and that restrictions be imposed on the deductibility of business gifts, expenses of business trips combined with vacations, and excessive personal living expenses incurred on business travel away from home.
>
> I feel confident that these measures will be welcomed by the American people.

I digress to say that I am sure the President was referring to the kind of people described by the senior Senator from Pennsylvania, the great bulk of our people who are not beneficiaries of unlimited expense accounts, who pay their taxes through withholding from their wages and their salaries, and who must dip in their pockets and pinch their pennies to pay their tax.

Mr. CLARK. Mr. President, will the Senator yield for a final question?

Mr. GORE. I yield.

Mr. CLARK. I should like to make very clear to the Senate, through the

RECORD, that the luxury spending which the Senator from Tennessee and I have been discussing, and which the President of the United States has condemned, has resulted in the Government of the United States paying 52 cents on every dollar of business expense deduction claimed by a corporation on its personal income tax, and even more on the expense account of a wealthy individual who is in an income tax bracket higher than 52 percent when he takes those deductions on his own income tax. Am I correct?

Mr. GORE. The Senator is correct. But I am not sure that the dollars and cents involved constitute the most serious danger from a perpetuation of that practice. The President refers to the moral values. I read again what he said:

> This is a matter of national concern, affecting not only our public revenues, our sense of fairness, and our respect for the tax system, but our moral and business practices as well.

Mr. President, when a scandalous practice of expense account abuses of our tax laws threatens to undermine the moral fiber of our country and threatens to disrupt the tax system, which is based primarily upon voluntary compliance, I say that it is a serious matter indeed. In opposing the amendment, I am confident that I am representing the wishes of the "American people" to whom the President referred.

Mr. CLARK. And also the wishes of the President of the United States. Is that not correct?

Mr. GORE. I fully believe so.

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

Mr. GORE. I yield.

Mr. MANSFIELD. The Senator indicated sometime earlier today that there would not be a vote on the amendment tonight.

Mr. GORE. I expressed an opinion.

Mr. MANSFIELD. The Senator expressed that opinion.

Mr. GORE. Yes.

Mr. MANSFIELD. Would the Senator be amenable to considering a vote sometime tomorrow, say, at 11 o'clock or thereabouts?

Mr. GORE. I must say to the distinguished majority leader that, as he knows, I have tried to cooperate. I wanted these issues to be brought fully before the Senate. I wanted the Senate Finance Committee, which is responsible for the amendment and for the majority report, to carry the burden of persuading the Senate to agree to the amendment, which would subvert the recommendation of the administration on curtailing abuses of expense accounts.

In order to cooperate with the Senator, we agreed earlier to adopt en bloc about 165 amendments, I believe.

Mr. MANSFIELD. That is correct.

Mr. GORE. One vote has already been taken. So far as I am personally concerned, I see no reason why we could not have a vote sometime tomorrow. But in all fairness to a number of Senators who have indicated their interest in the question and their willingness to oppose the amendment, I do not wish, at this late hour, when so many Senators are absent, to enter into a unanimous-consent agreement. So I suggest that the Senator let the request go over until tomorrow. It may then be possible to reach some agreement. There is no intent on my part to be dilatory in reaching a vote on the question. I want the amendment to be fully discussed. I wish to be sure that every Senator understands the interpretation placed upon those three words by the majority report. That will require some time, not only for myself but for other Senators.

Mr. MANSFIELD. Does the Senator have in mind any particular hour at this time, or would he prefer to let it go over until tomorrow?

Mr. GORE. I would prefer to let it go until tomorrow, because I assume the junior Senator from Florida will wish to speak, and the junior Senator from Louisiana has already indicated his concern. I know of several Senators who wish to speak against the amendment.

Mr. SMATHERS. So far as the junior Senator from Florida is concerned, I can be relatively brief. I believe that nearly every Senator has already made up his mind as to how he will vote on this particular amendment. I know that the able Senator from Tennessee will make an excellent record in support of his position. I have no doubt that those of us who will speak for the Committee on Finance will be able to make a pretty good record also in a short time. I do not operate under any illusion that what we say, or even what the able Senator from Tennessee may say, will change a great many votes. So far as I am concerned, I am perfectly agreeable to enter into some reasonable unanimous-consent agreement.

Mr. GORE. I do not compliment myself by thinking that what I am about to say will change many votes. I do believe that what is said in the majority report is going to change a large number of votes.

Mr. SMATHERS. I am delighted that the Senator from Tennessee should think so. I am sure the Senator thought the same of the amendment that has just been rejected.

Mr. GORE. I did not expect to win that fight, but I do expect to win this one.

Mr. SMATHERS. The Senator has been in the Senate long enough to know that if we were to ask Senators who are now present, they could tell us how they expect to vote on the amendment.

Mr. GORE. I know how the Senator from Florida is going to vote. He happens to be from Miami.

Mr. SMATHERS. That is correct—Miami, Fla.

Mr. GORE. I know that there is great concern in Florida about yachts in the harbors and all the ocean-front hotel suites that are held in the name of great corporations. I know that expense account living is important to the junior Senator from Florida.

Mr. SMATHERS. If the Senator wanted to be fair, all that he has been talking about, the yachts, and all that, unless they are primarily used for business activity, they are eliminated and are not allowable deductions. That is what we intended to do.

Mr. GORE. Let me read the President's statement, and I will let the Senator tell me what this amendment does. Let me read what the President of the United States said.

Mr. SMATHERS. I heard what he said.

Mr. GORE. The President said:

> Too many firms and individuals have devised means of deducting too many personal living expenses as business expenses.

I am talking about the taxpayer who disguises expenditures for his own personal benefit as business outlays, in order to obtain a deduction, and use his expense account to get a deduction on taxes of the company which he serves. That is what I am talking about.

Mr. SMATHERS. I am with the Senator on that. We want to stop it. The Senator is exactly right.

Mr. GORE. I am talking this kind of deduction.

Mr. SMATHERS. We want to get at that problem too.

Mr. GORE. The majority report does not indicate that.

Mr. KERR. Will the Senator yield for a question? Is there any possibility of agreeing in the next few minutes on a unanimous-consent agreement on a time certain tomorrow around noon to vote on the amendment?

Mr. GORE. I have already indicated that I could not enter into such an agreement. I assure the Senator, as I have already assured the majority leader, that I have no dilatory tactics in mind. I expect to show unmistakably what the majority report intends these words to mean. Fortunately we do not have to listen to speeches about what these words mean. The majority report has told us what the words mean and what they are intended to mean. They mean that no substantial loophole on expense account abuses will be closed. They mean that in many respects the situation will be made worse than it is now.

Mr. DIRKSEN. If the Senator will yield, and addressing myself to the majority leader, I wonder if we could concur in a unanimous-consent request to reach an understanding that there will be no vote on this amendment tonight.

Mr. MANSFIELD. I do not believe we need any unanimous-consent agreement for that. That appears to be the fact.

Mr. DIRKSEN. I think, however——

Mr. GORE. I am agreeable.

Mr. DIRKSEN. It would be safe for Senators to go to dinner or go home or to fill engagements, if there were such an understanding.

Mr. GORE. I have a dinner engagement at 7:30, which I should like to keep.

Mr. SMATHERS. If no attempt is made to deduct the expense.

Mr. DIRKSEN. I have no engagement. I should like to be able to assure Senators on this side of the aisle that it would be safe for them to go home.

Mr. GORE. So far as I am concerned, the Senator can give that assurance. I should like to leave around 8 o'clock.

Mr. DIRKSEN. So would I.

Mr. MANSFIELD. The Senator has given me his assurance that he would not engage in dilatory tactics or delaying tactics.

Mr. GORE. Unless H.R. 10 is offered as an amendment to the bill.

Mr. MANSFIELD. I know the Senator to be an honorable man. I hope that the unanimous-consent request will be given serious consideration tomorrow when we convene.

Mr. GORE. I am sure it will be. So far as I am concerned, I hope a vote on this amendment can be reached tomorrow.

Mr. MANSFIELD. Tomorrow is a long day. I hope that at a reasonable hour we shall be able to reach such an agreement. There are other amendments to be considered in addition to the committee amendments which remain to be considered, which have been set apart from those that have been agreed to. Other amendments have been submitted.

Mr. GORE. If in some way all copies of the majority report could be burned, we could then let the Senators who support the amendment tell us what it means. Unfortunately what they say cannot be heard because what is written speaks so loud.

Mr. SMATHERS. After the Senator from Tennessee has disposed of the Senator from Illinois, I should like to ask the Senator, in all fairness to read one paragraph——

Mr. DIRKSEN. May I address myself to the majority leader, with the consent of the Senator from Florida and the Senator from Tennessee? May we assume that there will be no vote tonight?

Mr. MANSFIELD. We have no choice.

Mr. GORE. Let me first read to the Senator what the President said. I know the President is a warm friend of the junior Senator from Florida.

Mr. SMATHERS. He is that.

Mr. GORE. I know the Senator will want to hear what the President of the United States said about these practices, which the junior Senator from Florida is defending.

Mr. SMATHERS. I have read it. The Senator is unfair in saying that I am defending practices that are illegal or immoral. I know he does not mean to say that.

Mr. GORE. I mean——

Mr. SMATHERS. I do not believe it is fair for the Senator to make that kind of imputation.

Mr. GORE. I say without qualification that a Senator who supports this amendment, after having read the majority report, supports a continuation of the situation which the President has described.

Mr. SMATHERS. I do not worry about myself, but I highly resent the Senator from Tennessee saying it about the Senator from Virginia [Mr. BYRD], or about the Senator from Utah [Mr. BENNETT], one of the pillars of the Morman Church. I also highly resent his saying it about the Senator from Louisiana [Mr. LONG], whose character is above reproach.

Mr. GORE. Let us see what I have said.

Mr. SMATHERS. The reputations of these men are above reproach.

Mr. GORE. I do not yield further until I have stated my position.

I said this, and I say it again: In my considered opinion a Senator who supports the adoption of this amendment, with the interpretation of its meaning in the report, votes to continue practices which the President of the United States has described in the message which I have been reading.

Mr. SMATHERS. Mr. President, will the Senator yield for a question?

Mr. GORE. I yield.

Mr. SMATHERS. Does not the Senator really mean to say that no one except the Senator from Tennessee has interpreted the language of the report in that way. If all of us interpreted the report in that way we would not be for it, any more than the junior Senator from Tennessee is for it now. It is merely a question of the meaning of the English language.

Mr. GORE. Would the Senator from Florida like me to tell what I know about the report?

Mr. SMATHERS. Probably the Senator from Tennessee ought to do that. Perhaps he has a duty to tell everything.

Mr. GORE. Suppose the junior Senator from Florida proceeds to tell what he knows about it?

Mr. SMATHERS. All I know about it is what I read. I know where it came from.

Mr. GORE. Where did it come from?

Mr. SMATHERS. It came as a result of the joint efforts of the Treasury of the United States and the staff of our committee. That is precisely where it came from. We asked them to do what they could to resolve the matter so that abuses in this area could effectively be eliminated.

Mr. GORE. That covers a great deal.

Mr. SMATHERS. I do not know who was better able to prepare this kind of language than the staff. Such language does not presume that every businessman is a cheat and a crook.

Mr. GORE. Does the Senator from Florida wish to reveal his part in it?

Mr. SMATHERS. Yes; I shall be delighted to reveal my part. I asked the members of the staff if they would prepare language that would make some sense; and language that did not presume every businessman, no matter where he was or where he resided, to be a crook or a cheat. That is what I asked them to prepare. They did so. We had the assistance of a representative from the Treasury Department. The Treasury, of course, would like to tighten up the language much more than it is in the bill.

Mr. GORE. I thought the Senator told us a few moments ago that the Treasury drafted the language.

Mr. SMATHERS. At my request, to provide some language which would be reasonable with respect to the business community, and recognizing that some members of the business community, at least, were decent, honorable, fine people, and that legitimate deductions for legitimate business purposes were not the great evil which the Senator from Tennessee says they are.

I agree that the inclusion of personal expenses as business deductions ought to be stopped.

Mr. GORE. Mr. President, I do not yield further just now. The Senator from Florida has made his position reasonably plain, and I concede that he has every right and duty to fulfill his duty to represent his State as he sees fit. I fully accord to him the right to select his position and to exercise what influence he feels it proper to exercise upon a draft of a report or any other action of a committee on which he serves, or upon any other action of the U.S. Senate.

The Senator from Florida has said that the junior Senator from Tennessee is the only one who places this kind of interpretation upon the report.

Mr. SMATHERS. I am in error. I retract that statement. I know there are others, but they are not a majority of the Committee on Finance.

Mr. GORE. I thank the Senator from Florida for that concession. I am sure there are many more Senators who agree with me.

Mr. President, I shall finish reading the President's message on this subject:

> I feel confident that these measures will be welcomed by the American people. I am also confident that business firms, now forced to emulate the expense account favors of their competitors, however unsound or uneconomical such practices may be, will welcome the removal of this pressure. These measures will strengthen both our tax structure and the moral fiber of our society. These provisions should be effective as of January 1, 1962, and are estimated to increase Treasury receipts by at least $250 million per year.

I ask unanimous consent to have printed at this point in the RECORD a statement by Mr. Clarence Randall, which is contained in the committee report on page 408.

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

> Gone are the days when a salesman occasionally wined and dined his favorite customer, or perhaps gave a small theater party. Nowadays, when the deal gets big enough, the company yacht weighs anchor and moves into position, the company plane takes off for a duckblind in Arkansas, or the best hotel in Miami throws open its doors to expectant dealers for a week of continuous circus.
>
> The distaff side is cut in, too, on both sides of the deal. How the ladies love it. With jet travel what it is, those who were getting a little tired of White Sulphur may now hope to look in on Capri or the Riviera.
>
> The unseen partner in all this largesse, of course, the man who rides the afterdeck of the company yacht, copilots the duck hunters' plane, sits by while the caviar is spooned out and the crepes suzette are sizzling, the man who splits the check at the nightspot and hands the big bill to the headwaiter, is none other than Uncle Sam.

Mr. GORE. Mr. President, the House of Representatives substantially agreed with the President's recommendation, although the House bill does not contain provisions as strong as the President recommended. But the House language plus the report of the House Ways and Means Committee will result in a great improvement in this situation, which the President says threatens the moral fiber or our country.

After long and careful consideration, the House voted for a provision, which, although falling short of the President's recommendations, would go a long way toward establishing a fairer set of rules.

It would permit deductions for entertainment more closely related to the conduct of business, but would cut out deductions for many of the highly personal expenditures permitted under present law when the taxpayer can make a showing of some connection between the entertainment and the taxpayer's trade or business.

The allowance of deductions for such essentially personal entertainment has brought the integrity of the entire revenue system into disrepute. The expense account deduction has been a breeding ground for fraud and misrepresentation. It has encouraged disrespect for honest self-compliance with the tax laws among those not in a position to claim such deductions, but who have watched others satisfy their personal taste for amusement at the taxpayers' expense.

What has the Senate Finance Committee done with the House version of the bill? It has simply pulled the teeth from the proposal, leaving it merely with a dangling tongue—a tongue which is certain to confuse taxpayer and government official alike as to what it is trying to say. Certainly the vague and almost meaningless standard adopted by the committee will do very little, if anything, to change the style of operation of those who have been living high on their expense accounts at the cost of their fellow citizens.

THE PROBLEM

The basic problem is whether this country can continue to afford to permit a small group of taxpayers to take tax deductions for highly personal items such as nightclub hopping, fancy yachts and swanky country clubs, while the great majority of their fellow taxpayers cannot take such deductions. From a practical point of view the concern of the Nation is not only the basic unfairness of this situation—in itself a vital consideration—but also the effect that this legally created unfairness has upon those who are discriminated against. It makes them resentful of the law which permits such a situation to exist, and encourages them toward laxness in discharging their full tax obligations. It is quite natural to feel: "Why should I help keep that fellow on the gravy train—paying for his fancy yacht and swanky country club?" An expansion of this type of thinking could eventually destroy our tax system, the keystone of which is its voluntary character. We rely on each taxpayer to be his own tax assessor. The essential honesty of our citizens and, most important in this context, their respect for our tax laws have enabled this system of voluntary self-assessment to function most effectively. However, like all good things, the system must be nurtured and protected.

Expense-account abuses have become a real threat to the continued effectiveness of our self-assessing system. Much taxpayer distaste has already been voiced against this unwarranted privilege. The danger signals are loud and clear. In his testimony before the House Ways and Means Committee and the Senate Finance Committee, the Secretary of the Treasury documented the situation in great detail, with numerous case studies and many samples of editorial comment from all over the country.

Here are a few of them: A corporation engaged in manufacturing was allowed to deduct $991,665 in 1959 for yachts, club dues, shipboard conventions, hunting and fishing trips, and parties. A taxpayer engaged in the insurance business was allowed to deduct $97,500 for meals, lodging, transportation, entertainment, books, gifts, and so forth. The amount deducted covered $6,000 for an apartment and more than $30,000 for food, beverages, and other entertainment.

Mr. DOUGLAS. Mr. President, will the Senator from Tennessee yield?

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). Does the Senator from Tennessee yield to the Senator from Illinois?

Mr. GORE. I yield.

Mr. DOUGLAS. And Uncle Sam picked up 52 percent of the check in those cases; is not that true?

Mr. GORE. I take it that was true. Certainly it would be true if the expenses were paid by a corporation which had a tax rate of 52 percent.

But that is not the worst thing. That citizen had all of it paid by the corporation whose expense account he was abusing, or by the Federal Government which was permitting the deduction under a faulty tax law.

Mr. DOUGLAS. In other words, due to the fact that great corporations are controlled by their management—who generally own only a small proportion of the stock, but nevertheless, through the use of proxies, control the corporations—the management can charge these bills to the corporation, but are able to get back 52 percent, by means of the tax deduction.

Mr. GORE. And the small stockholders have very little voice in the operation of the corporation.

The combination of a corporate insider and the use of expense accounts has erected in our midst a small coterie of a privileged few who, because of their abuses, threaten—according to the President—the very moral fiber of our society.

Mr. LONG of Louisiana. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. The Senator from Tennessee has undertaken to give examples. The first example given today by the Senator from Pennsylvania had to do with a safari in Africa.

Mr. GORE. Yes, it was cited by the Senator from Pennsylvania.

Mr. LONG of Louisiana. Does the Senator from Tennessee know that that safari in Africa involved that person's successful attempt to claim the cost of the safari as an advertising expense, and thus he was able to obtain a deduction? It had nothing to do with entertainment expense.

Mr. GORE. It had to do with personal pleasure—a safari in Africa, and also a trip in Europe. The man was drawing an expense account for his personal pleasure, and the bills were paid for him, and a deduction was given on the tax return of the concern by which he was employed.

Mr. LONG of Louisiana. Is the Senator from Tennessee familiar with the fact——

Mr. GORE. I am not very familiar with that case.

Mr. LONG of Louisiana. Is the Senator familiar with the fact that it had nothing to do with the case the Senator from Tennessee is making, because that claim was made for a deduction as an advertising expense. He claimed that the safari helped his advertising. He brought back from Africa numerous animal heads and animal hides, and all that was good advertising for his business; and he successfully claimed that deduction as an advertising expense.

Mr. GORE. But I respectfully suggest that that is covered by the description given by the President—in other words, a practice by which a personal expense is disguised as a business expense. I am not attempting to state the details of that case, and I do not wish to make a particular point of it, the senior Senator from Pennsylvania cited it. I recall having read about it. I heard about it. I think it involved the abuse of an expense account. I think it clothed personal expenses, as the President has said, with a business function.

Mr. LONG of Louisiana. It has nothing to do with improper entertainment allowance, as the Senator knows.

Mr. GORE. I did not say it was entertainment. There is something more involved than entertainment.

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

The PRESIDING OFFICER (Mr. METCALF in the chair). Does the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. DOUGLAS. If my good friend from Louisiana quarrels with illustration No. 1, the safari to Africa submitted by the Secretary of the Treasury, what would he say to some 59 other cases which the Secretary of the Treasury submitted in volume 1 of the Senate hearings, some of which are being quoted by the Senator from Tennessee?

Mr. LONG of Louisiana. I shall be glad to discuss them if they are brought up, but the first one has nothing to do with the case. The Senator from Illinois loves to play on it and suggest it is an improper use of entertainment expense. That case involved an advertising expense. So far as I am concerned, I would be glad to outlaw advertising expenses as deductible items.

Mr. GORE. There is much more involved in this issue than merely entertainment. There is much more involved than taking someone to a restaurant in New Orleans, or Nashville, Tenn., or the 21 Club in New York. There is much more involved than entertainment. I think many other abuses are involved.

Mr. LONG of Louisiana. I hope before the Senator gets through he recognizes that this particular language in the bill has nothing to do with the safari in Africa. It is not involved.

Mr. GORE. I will come to that.

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

Mr. GORE. I yield to the Senator from Illinois.

Mr. DOUGLAS. May I take case No. 48?

Mr. GORE. I will cite something more than entertainment. A manufacturer was allowed to deduct $34,000 for football and theater parties, a speedboat, and so forth.

Mr. DOUGLAS. Let me take case No. 48, on page 318, of part 1 of the hearings of the Senate committee, the case of a physician who claimed and was allowed an expense item of $1,182 for travel to Europe, where he spent 6 of the 22 days in Europe attending a medical congress at which he delivered a paper and presided at one of the meetings. The taxpayer was accompanied by his wife and two children.

Mr. GORE. This is not entertainment.

Mr. DOUGLAS. No; this is expense.

Mr. GORE. Personal expense.

Mr. DOUGLAS. That is right. They were allowed as a deduction because he was improving his specialized professional skills.

Mr. SMATHERS. Mr. President, will the Senator yield? I am sure the Senator wants to be completely fair. In the report of the majority of the Finance Committee we specifically mentioned the kind of things that should be eliminated. We talk about the safari case on page 28 of the report. We want to overrule that decision. We agree that it is bad. We also say, so far as taking one's wife on a trip is concerned, that the expense for that is to be disallowed. These are obviously abuses and should have been done away with a long time ago.

Mr. GORE. If the Senator will let me discuss the majority report——

Mr. SMATHERS. This is a part of it.

Mr. GORE. I know. The Senator has also cited the majority report as saying that it is not desired to permit the allowance of expense for call girls.

Mr. SMATHERS. I hope the Senator does not object if the majority wants to eliminate that.

Mr. GORE. I do not make the point or make the objection. The point really is, Why is it cited? That item is not deductible under present law.

Mr. LONG of Louisiana. Mr. President, will the Senator show me where under present law he has that nailed down? I said I made one mistake in offering my "prudent man" expense account amendment. Instead of saying "a prudent man," I should have said "a prudish man."

Mr. GORE. A prudish man?

Mr. LONG of Louisiana. A prude; deduct what a prudish man would under the circumstances. Perhaps that would be more agreeable.

Mr. GORE. I heard the Senator make a somewhat similar statement a day or two ago. He said he made a mistake by not providing what "a pious man" would do.

Mr. LONG of Louisiana. It is the same idea.

Mr. GORE. I think there is a little difference between pious and prudish.

The Senator will recall that he offered that "prudent man" amendment, and when the committee took a hard look at the meaning of the amendment, it voted it out and then adopted the words "or associated with," which seemed reasonably harmless. But by the time the committee's report was written, it took on a meaning that is just as bad as the "prudent man" amendment was.

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

Mr. GORE. I yield.

Mr. DOUGLAS. In other words, after the abominable "prudent man" provision was thrown out the front door, it was brought in through the back door?

Mr. GORE. Through the committee report.

Mr. DOUGLAS. Yes.

Mr. GORE. The Senator has raised a question about the majority report. I do not wish to be understood as charging that any member of the committee wrote this report. The report, however, must speak for itself. Fortunately, the Senate can know what the report says.

It is printed. Senators can examine it. A copy of it is on every Senator's desk. The report is adroitly drafted. It is drafted as if it followed a mathematical formula. A strawman, or in one case a strawwoman, is set up in order that the report can knock it down; and then we get the real meat and meaning of what is intended. I shall demonstrate it. This is a cleverly done report, and it subverts the whole effort to close the loophole of expense account abuses. I shall prove that even to the junior Senator from Florida.

Mr. SMATHERS. I will wait in great anticipation.

Mr. DOUGLAS. I hold in my hand something like 10 pounds of hearings. I believe that the Senator from Tennessee and I were present at almost every session of the hearings. The first volume consists of evidence produced by the Treasury. Here is the report. We have been debating the bill for 3 days. The attendance in the Chamber has not been so good. Has the Senator seen any Senator pick up a copy of volume I and go through it? Or has the Senator seen any Senator pick up a copy of the report and go through it?

Mr. GORE. How many pages is it?

Mr. DOUGLAS. Four hundred and twenty-five pages.

Mr. GORE. No; I have not. It is very difficult reading. But with respect to the pending amendment, I discovered enough to show to the Senate that the adoption of these simple, innocent little words "or associated with," as an amendment, with the interpretation given as the legislative intent of that amendment, will mean continuing the abuses which the President has complained of.

Mr. SMATHERS. Mr. President, will the Senator yield for a question?

Mr. GORE. I yield. The Senator is very generous. I know of his keen interest in this subject. I yield to the Senator from Florida.

Mr. SMATHERS. I have no more keen interest in this subject than in any other part of the tax bill. I recognize, however, that a great many legitimate businessmen and legitimate businesses have followed the practice of taking legitimate business deductions. I do not wish to imply that they are cheats or crooks, or that they are acting improperly.

Mr. GORE. I agree absolutely.

Mr. SMATHERS. I further recognize that many musicians, restaurants, and hotels make conventions their business and thereby contribute to the welfare of the economy of the States in which they are located. I do not wish to see them put out of business when they are conducting legitimate businesses.

I rose to ask the Senator a question. I think it would be very helpful in the discussion of this particular amendment if the Senators who are opposed to the amendment which was adopted by the Finance Committee would stop ranting and raving about the safari, about taking wives on trips, and all that sort of thing.

Mr. GORE. Now——

Mr. SMATHERS. Let me finish.

Mr. GORE. I do not wish to be described as ranting and raving.

Mr. SMATHERS. Under the committee report those evils would be eliminated.

Mr. GORE. Mr. President, I decline to yield further.

Mr. SMATHERS. The committee attempted to eliminate them.

Mr. DOUGLAS. What about the mortician in Florida who invited prospective customers to go out on a yacht, and charged off $23,000, claiming an expense in order to get business?

Mr. SMATHERS. He ought to be ashamed of himself.

Mr. DOUGLAS. He got his $23,000.

Mr. GORE. Mr. President, I decline to yield further.

Mr. SMATHERS. Mr. President, will the Senator yield further?

Mr. GORE. I yield for the very eloquent remarks which I know my friend from Florida is about to make.

Mr. SMATHERS. Does not the Senator agree that it is not quite cricket, if I may borrow that word, to make a big argument, talking about a straw man and about alleged abuses and evils, and to connote thereby that the Finance Committee is in favor of these things, when the Finance Committee has already sought to eliminate them? We have provided language in the report specifically about those things.

Mr. DOUGLAS. What about the yachts at Fort Lauderdale?

Mr. SMATHERS. And the yachts at Fort Lauderdale, too, unless the costs can be proved to be primarily business expenses. All of that will have to stop.

Mr. GORE. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Tennessee has the floor.

Mr. GORE. I should like to use it to ask the junior Senator from Florida a question. I know it would be a violation of the rules for a Senator who has the floor to interrogate another Senator.

Mr. SMATHERS. I am happy to answer.

The PRESIDING OFFICER. Without objection, the Senator from Tennessee may ask the Senator from Florida a question.

Mr. GORE. I should like to ask the junior Senator from Florida a question as to the meaning of the pending amendment, as interpreted by the majority report.

If a businessman took his customers to the Kentucky Derby, could he deduct the cost of entertaining them under the terms of the amendment and the committee report?

Mr. SMATHERS. I do not believe he could, and I do not think that was the intention.

Mr. GORE. The committee report so provides.

Mr. SMATHERS. I would be interested in knowing where it so states.

Mr. GORE. If the Senator will let me proceed, I will come to that.

Mr. SMATHERS. If the trip was a part of a vacation, the deduction would not be permitted.

I have been told that if a man goes to the Kentucky Derby, if that is a part of a vacation he may not deduct that expense. At no time could a person deduct the expense of taking his wife.

If a man went to the Kentucky Derby as a part of a particular business, that would be different. The Senator from Tennessee is in the cattle business. There may be someone who may be in the race horse business.

Mr. GORE. Do not use me as an example.

Mr. SMATHERS. I thought that was a pretty good illustration, because we are talking about horses. The Senator is very knowledgable about the cattle business.

In any event, if a person who goes to the Kentucky Derby could prove the trip was in connection with his business, the expense would be deductible if directly related to the business. The taxpayer would have the burden of proving it. His own self-serving statement would not be sufficient to prove it.

Mr. GORE. All he would have to prove would be that it was "associated with" his business.

Mr. SMATHERS. What I want to know is what the language really means.

Mr. GORE. Mr. President, I ask unanimous consent that I may propound another question to the junior Senator from Florida.

Mr. SMATHERS. I agree to the unanimous consent request. I am sure there is no objection.

Mr. GORE. Very well.

If a businessman used his 100-foot yacht to entertain potential clients, would a single penny be nondeductible under the Finance Committee report?

Mr. SMATHERS. Would it be nondeductible?

Mr. GORE. I hope the Senator will give an answer.

Mr. SMATHERS. With respect to yachts, the yachts, the hunting lodges, and all such things are called "facilities."

If the facility is primarily used in connection with the man's business—and he would have to establish that—he could deduct the portion of the expense which he could show as being directly related to his business.

Mr. GORE. "Or associated with."

Mr. SMATHERS. "Or associated with."

Mr. GORE. "Or associated with."

Mr. SMATHERS. The "or associated with" actually comes in the entertainment area.

Mr. LONG of Louisiana. Mr. President, will the Senator permit me to comment on the question of the yacht? I think I understand it.

Mr. GORE. I will permit the Senator to do so.

Mr. LONG of Louisiana. I will state my understanding of the provision.

The proposal would tighten up very severely on yachts, swimming pools, hunting lodges, and anything like that. It would work in the following manner:

First, a person could not deduct 5 cents of expense unless he could meet the primary test. The test would be the proof that the yacht, the swimming pool, or the hunting lodge was used primarily to entertain business guests. If it were used 51 percent for personal use, a person could not deduct 5 cents. That is point No. 1.

Point No. 2: I hope the Senator will hear this——

Mr. GORE. I am listening.

Mr. LONG of Louisiana. Point No. 1 is that a person must meet the primary test, which is proof that the facility is primarily for business entertainment. That is point 1.

Mr. GORE. Wait just a minute.

There is some conflict. The junior Senator from Florida [Mr. SMATHERS] said that the provision did not apply to facilities. Now the Senator from Louisiana says that it would.

Mr. LONG of Louisiana. I believe the RECORD will show that there is no conflict between the two answers.

Mr. GORE. The RECORD will show that there is a conflict. Perhaps we should resolve it now. Does the Senator from Florida say that the provision would or would not apply to facilities?

Mr. SMATHERS. It would apply. I was mistaken.

Mr. GORE. The Senator told us a few minutes ago that it would not.

Mr. SMATHERS. I was mistaken.

Mr. GORE. Again my friend from Florida is getting incorrect information about the report.

Mr. LONG of Louisiana. I believe I understand the point. In my judgment the provision is too strict. In the committee I voted that it was too strict. Let me show the Senator how it would operate. First, to deduct the first 5 cents for a swimming pool, yacht, hunting lodge, or some other facility, a taxpayer must prove that it is used primarily for business purposes. In other words, if he entertains business interests 40 percent of the time in the yacht or hunting lodge, he cannot deduct any part of the expense. Before he can deduct any part of the expense, he must first meet the primary test. Only after he meets the primary test does he get the opportunity to prove what percentage of the time the facility was used to entertain business guests.

If he could prove he entertained business guests, let us say, 52 percent of the time, he could deduct 52 percent of the cost of the facility. To do so he must have records to prove who the business guests were and prove the percentage of time that the facility was used to entertain those particular business guests. I objected to that provision because I feel that a person who has a boat and can prove that he had business guests on it 25 percent of the time, should be able to deduct 25 percent of the cost of the boat. He cannot do so. He could not deduct a nickel of the expense under the bill as it is drawn.

Mr. GORE. I am aware that the junior Senator from Louisiana, my dear friend and colleague whom I admire and respect, was the author of the "prudent man" amendment. I do not know how far my friend would go in that regard. I would not venture to say. But he has just told us that the provision does not go far enough.

Mr. LONG of Louisiana. I guarantee one thing I would do that the Senator from Tennessee would not do, and something that the bill would not provide. I would certainly let a businessman who asks a customer to go to dinner with him, hoping to get his business, but who would not go unless his wife were invited, deduct the expense of the meal for the taxpayer and his wife and the customer and his wife, if it was a legitimate entertainment effort to try to obtain the business of that particular customer. The bill provides that a taxpayer may only deduct the cost of a businessman's meal and that of his wife. I think that is too strict.

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

Mr. GORE. I yield to the Senator from Illinois.

Mr. DOUGLAS. The Senator from Louisiana has touched on an interesting point which demonstrates the principle involved. To demonstrate further the principle involved, a businessman invited a customer to go with him to Alaska so that in the fjords of Alaska they could discuss technical questions—although they could have discussed them as well at home. The customer invited said, "I cannot go without my wife." So the customer's wife was invited, but she said, "I cannot go unless there is another woman in the party; namely, the wife of the host."

So they took the wife of the host. The expenses of all four people were charged to the Government, being deducted from the businessman's income tax.

Mr. GORE. I wish to ask the Senators from Louisiana and Florida——

Mr. LONG of Louisiana. I would like to respond to that statement.

Mr. GORE. No; I wish to ask the question myself. I wish to ask either the junior Senator from Florida [Mr. SMATHERS] or the junior Senator from Louisiana [Mr. LONG] what language in the bill or the committee report would disallow deductions for hunting lodges.

Mr. LONG of Louisiana. I do not have the information at my fingertips, but the language about facilities establishes the test I have described.

Mr. GORE. What language would disallow a deduction for yachts, country clubs, theater tickets, prizefights, and nightclubs?

Mr. LONG of Louisiana. Does the Senator mean in the bill?

Mr. GORE. I am asking the Senator from Louisiana what language in the bill or in the report would disallow such a deduction.

Mr. LONG of Louisiana. First, I should like to answer the question the Senator would not permit me to answer about the trip to Alaska.

Mr. GORE. I should like some answers to my present question.

Mr. LONG of Louisiana. I shall be glad to answer the Senator's questions, but I should like to reply to that example stated by the Senator from Illinois.

Mr. GORE. I have six questions. I shall give the Senator time to speak on that subject.

Mr. LONG of Louisiana. Will the Senator let me answer the first proposition before I answer his question?

Mr. GORE. I yield.

Mr. LONG of Louisiana. With reference to the trip to Alaska, I ask the Senator to look at page 30 of the report. Under the same circumstances under which a deduction had previously been allowed, it would be ruled that the wife is not essential. The wife is not directly related to the business and the transportation of the taxpayer, so the expense of the taxpayer's wife and the wife of the other man would both be disallowed.

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

Mr. GORE. I yield.

Mr. SMATHERS. Specific reference is made on page 29 of the report to the very trip about which the Senator from Illinois spoke. I said that that was the kind of thing which should never be permitted again. That is illustration B, I believe.

Mr. LONG of Louisiana. There was previously a reference to Olivia De Haviland buying expensive jewelry for her domestic help. Under the bill she would be permitted to buy $25 of jewelry for one maid and $25 for the other maid, and that would be all she could buy and all for which she could claim a deduction.

Mr. GORE. Let us consider the hunting lodge. Show me language bearing on such expense.

Mr. LONG of Louisiana. I direct the Senator's attention to the section on facilities in the committee report.

Mr. GORE. The Senator intends to say that the expense would be only partly allowed?

Mr. LONG of Louisiana. No.

Mr. SMATHERS. The Senator is mistaken.

Mr. GORE. The primary use tests must be met, and then the use of facilities is deductible. When the phrase is added "or associated with," it is broadened to a very great extent. That is the answer, I am sure.

Mr. LONG of Louisiana. If the Senator is satisfied that he has answered the question the way I would, there is no point in my answering further. Frankly, I do not think he has. On page 30 of the report the Senator will find in the last paragraph, "Disallowance of expenses for entertainment facilities." The whole burden of the section that follows is that the cost of a yacht, a hunting lodge, or a swimming pool is not deductible, unless one can prove that it was used primarily for business entertainment.

Mr. GORE. Mr. President, that is what I said. I said that my friend would give me the answer that it was deductible only in part. But he has now supplied that answer. If it is primarily used as he has described it, the answer is "Yes."

Mr. LONG of Louisiana. I do not think the Senator understood what I said. I should like to try to explain it again. What that language means is that if one had a swimming pool at his home and his family, his children, and the neighborhood children used it more than 50 percent of the time, he could not deduct 5 cents for the swimming pool.

Mr. GORE. We left the swimming pool.

Mr. LONG of Louisiana. The same thing would apply with respect to a yacht or hunting lodge.

Mr. GORE. I read from the report at the top of page 31:

> Under the bill, no deduction is to be allowed with respect to expenses relating to facilities unless the taxpayer establishes (1) that the facility was used primarily for the furtherance of his trade or business and (2) that the expenditure was directly related to the active conduct of his trade or business, or that it was associated wih the active conduct of his trade or business.

Mr. President, I submit that when we read this report we read first the most favorable interpretation, and that the best face is put upon the interpretation in the first paragraph. When we read the second and third paragraphs we find the real meaning. I say advisedly, as a lawyer of limited training, as a student of tax law and tax legislation, that I have serious doubt that anyone can cite one personal expense that would be deductible under present law that would not be deductible under the interpretation which the majority report gives to this amendment. There is one little improvement in the bill, and that is the first stipulation on page 31, which states that the "facility was used primarily for the furtherance of his trade or business." The word "primarily" leaves a good deal of room for interpretation. Just how long would a man have to use a yacht, and how much would he have to use it for the entertainment of his prospective customers in order to say that it was primarily used in connection with his business? Would it be 50 percent, or less than 50 percent, or more than 50 percent?

Then we take up items Nos. 1 and 2. When we include in "primary use," uses which are merely "associated with," the business, we ask what that means. What is the legal meaning of "associated with"?

Then we have an interpretation that becomes quite loose, indeed. Nevertheless, in my opinion, the small improvement which I have cited—I think fairly—is more than offset by the adoption of the amendment, with the majority report, which gives legislative affirmation and condonement to many of the abuses and practices which constitute the unfortunate pattern of tax avoidance and expense account abuse.

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. I hope before the debate is over the Senator will realize that those of us who are on the committee felt that we should eliminate the abuses, but leave what we felt were legitimate deductions. On page 35 the Senator will note the requirement that the "taxpayer's statements be corroborated," and that this requirement "will insure that no deduction is allowed solely on the basis of his own unsupported, self-serving testimony."

As it stands now, a man who has a yacht can contend that he uses it for business purposes, without listing the names of people and dates and places and hours those people were on his yacht. He can settle with the income tax people on the basis that he states the yacht was used 60 percent for business and 40 percent for his family. Under the bill that we have written we make it clear that he must have actual proof that certain people were entertained, show the times when the people were aboard his yacht, and that he was either doing business with them or had a reason or basis for thinking that he would be able to do business with them.

Mr. GORE. That is true under present law.

Mr. LONG of Louisiana. Oh, no. That is not true under present law. The Senator is mistaken.

Mr. GORE. I believe I stand corrected on the Cohan rule relating to keeping records.

Mr. LONG of Louisiana. Furthermore, if he wants to deduct for a yacht he must establish by records that it was used more than 50 percent of the time for business entertainment or business purposes.

Mr. GORE. But what is meant by "associated with"? Can the Senator give a definition of that term?

Mr. LONG of Louisiana. It relates to situations in which a man hopes to do business with someone or has a reasonable basis for believing that he will do business with someone.

Mr. GORE. Will the senior Senator from Illinois give us the quotation about hope?

Mr. DOUGLAS. It is faith. According to the Bible, faith is the substance of things hoped for, the evidence of things not seen.

Mr. GORE. I thank the Senator.

Mr. LONG of Louisiana. I hope that the Senator will see this point.

Mr. GORE. I will not argue with the Bible.

Mr. SMATHERS. I have a little evidence which can be seen.

Mr. GORE. I am not sure that we can see all the "associations" that are going to be deductible.

Mr. SMATHERS. I would like to read certain language to the Senator, because I know he wants to understand this particular section, as all of us do. I refer

to page 28 with reference to these expenses not being vague. The report states:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

That language is in the report.

Mr. GORE. One may have a wonderful purpose. But then there come the theater tickets and prize fight tickets and nightclub entertainment and hunting lodges and yachts and liquor and parties and all those things that become deductible under this committee report.

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

Mr. GORE. I yield.

Mr. DOUGLAS. It can be claimed that at rare intervals and in lucid moments there will be attempts to sell products and attempts at mentioning the products. In other words, a little business can be scattered over a great amount of costly entertainment, and the citizens will pick up 52 percent of the check.

Mr. GORE. The man who is riding the expense account is a privileged character whom the President of the United States has described as one who disguises personal expense with business associations.

Mr. DOUGLAS. Is it not true that there has been a great deal of interest in suburban living, with many executives living in the suburbs. I am sure the Senator has seen reports on domestic discord which has arisen when the husband rides the expense account and the wife sits at home and eats hamburgers.

Mr. GORE. I have heard neighborhood rumors. I do not know how much substance there is to these rumors.

Mr. DOUGLAS. Is it not to be expected that if the husband is living at the Ritz Carlton or in Miami and is cruising in a yacht and paying $10 for lunches, or is eating expensive dinners at Antoines in New Orleans, and the poor wife is at home eating a humble sandwich, she becomes discontented and domestic discord increases——

Mr. GORE. And she feels neglected.

Mr. DOUGLAS. She feels neglected; therefore, in order that the business executive may function more efficiently he must take his wife along and dish out the gravy to her, also.

Mr. GORE. I wish to give a few more examples.

A family-held ship repair corporation was allowed to deduct $23,758 for a Christmas dinner and party.

An enterprising banker effectively combined sentiment with business when he deducted, as present law permits, a substantial part of the cost of his debutante daughter's coming-out party on the ground that some of the guests had business connections with him.

The committee amendment would add: "or associated with."

In another case, the taxpayer was allowed $115,000 for entertainment and gifts.

His expenses included $7,500 spent at a resort hotel; $5,400 for food, liquor, and cigars for his office and farm; and $8,700 in cash to officers of his closely held corporation for entertainment.

A beverage manufacturer claimed and was allowed $10,903 for entertaining customers at the Kentucky Derby.

Huge sums are allowed to business taxpayers in connection with maintenance and operation of yachts and other fancy boats. One manufacturer was allowed to deduct $253,000 for the expense of his yacht. Another was permitted to deduct $112,000 for such expenses—as well as an additional amount of $362,000 for a ranch-hunting lodge, a nightclub, and other similar expenses. A company in the business of selling fuel was allowed $93,000 as deductions for a yacht, a fuel products company was allowed $23,000 and an auto dealer was allowed yacht expenses of $22,000.

A cake and cookie bakery was allowed $66,000 for a yacht on which to entertain supermarket and chainstore buyers and branch managers. Despite its rather sad undercurrents, both from the viewpoint of the tax system as well as otherwise, one of the most interesting cases is that in which a mortuary business was allowed $26,495 for yacht expenses to entertain visiting morticians, clergymen, and for meetings of employees.

These cases could be multiplied by the thousands. Similar large expenditures are constantly being made on hunting and fishing lodges, on elaborate beach resort homes, on exotic island retreats, on extended hunting trips, including plush safaris to far off Africa and India. Indeed, just about every kind of human activity in the nature of fun and frolic is being well subsidized on behalf of a privileged few by the average taxpayer who does not happen to be engaged in a trade or business so as to enable him to join in this Government-supported high life. Is it any wonder, then, that such strong taxpayer resentment has developed against the expense account privilege.

The important point to be derived is that all of the expenditures described were deductible under the broad standard of present law which permits the deductions of "all the ordinary and necessary business expenses" of the taxpayer. The fact that there is a business relationship, actual or even only hoped for, between the parties does not prevent them from enjoying the fancy resort living, the cruise on the expensive yacht, or the fancy nightclub.

Suppose company A sells its product to company B. If a sales executive of company A invites his close friend, an executive of company B, to join him for a cruise on his yacht, who can say that the executive of A did not intend to promote the business relationship between the two companies. The fact is that in the usual case the businessman's friends are his business customers or prospects. Under the text of present law, so long as this business connection exists between entertainer and entertained, the parties can enjoy tax deductible vacations in Bermuda, cruises on yachts and evenings in luxury nightclubs on a tax deductible basis. This can be done on a reciprocal arrangement of "you entertain me and I'll entertain you," with the Treasury paying half the bill for each, and the individuals paying none of each. Business does not have to be discussed nor need the entertainment follow or precede business discussion. The taxpayer need not even be present at the entertainment. Because of absence of restrictions, taxpayers are encouraged to ask "Why should not I deduct my personal pleasures and entertainment, if everyone else can?" Because of this the expense account problem has grown to its present unmanageable proportions.

Mr. DOUGLAS. Mr. President, would the Senator develop that point a little further? It is sometimes said that legislation is based on the proposition: "You scratch my back, and I will scratch yours." But is not this a practice of: "You entertain me, and I will entertain you"? Is it not a situation of one executive saying, "You take me to lunch, you take me to dinner, you take me to the club, we will talk a little bit about business in between the acts or in between the courses, then next week I will take you"?

Is this not an illustration of a group of executives who got together and formed a club with the proviso that each would entertain the rest once a year; and it was all done in the name of business? In other words, "You scratch my back, and I will scratch yours. I will feed your stomach; you feed my stomach."

Mr. GORE. Once a year, and we will pass it around.

Mr. DOUGLAS. Pass it around.

Mr. GORE. Thereby, they become members of this privileged social group in our society which——

Mr. DOUGLAS. Which share the luxuries.

Mr. GORE. That, Mr. President, disguises their personal expenses by cloaking them in a business association.

Mr. SMATHERS. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I wish to be certain that my scintillating friend from Illinois has finished.

Mr. DOUGLAS. I have finished.

Mr. SMATHERS. I thought that what the Senator from Illinois said was scintillating, and I agree with him.

Mr. GORE. Does the Senator wish to keep it up?

Mr. SMATHERS. On the contrary. All the Senator has to do is start reading the report.

Mr. GORE. I shall do that.

Mr. SMATHERS. Because on page 36 we discuss that subject:

> However, under this exception, it will not be possible to deduct luncheon expenses of a so-called reciprocity luncheon group under which a group of businessmen frequently lunch together and alternate in paying the check (and claiming it as a business expense deduction). This practice is not connected with a trade or business, but is a personal or social expenditure which is not deductible under existing law.

Mr. GORE. On what page is that?

Mr. SMATHERS. Page 36 of the report.

Mr. GORE. Just a little further——

Mr. SMATHERS. It is not right to continue to talk about an old bag of bones. I do not believe it is quite fair for the Senator to continue to talk about going to Bermuda. We have eliminated

the part about reciprocity lunches. We do not approve of these things any more than does the Senator from Tennessee. What must be remembered is that the bill we are now seeking to pass will tighten up the law immeasurably. That is what we hope to do.

Mr. GORE. I wish to speak a little about page 36, which the Senator from Florida has cited. I ask the Senator to read it carefully again. I hope the senior Senator from Illinois [Mr. DOUGLAS] and the junior Senator from Louisiana [Mr. LONG] will follow this. What I am about to read is under the heading, "Exceptions Where Disallowance Provisions Will Not Apply."

Mr. DOUGLAS. That is correct.

Mr. SMATHERS. Read the language:

However, under this exception——

Mr. GORE. The Senator from Florida does not have the floor.

Mr. SMATHERS. The Senator ought to read all the language.

Mr. GORE. The Senator from Florida is giving his interpretation. I wish to read what the report actually states. On page 36, paragraph 6, the heading is as follows: "Exceptions Where Disallowance Provisions Will Not Apply." I emphasize the word "Not." I read:

(b) expenses for food and beverages (and facilities used in connection with them) furnished on the business premises of the taxpayer primarily for his employees. This is intended to exclude from the disallowance provision such facilities as a company cafeteria or an executives' dining room. This exception would continue to apply even though guests are occasionally served in the cafeteria or dining room.

The club which the Senator from Illinois was talking about might meet a few times a year in the executives' dining room; and this language specifically provides that the disallowance will not apply. So the Senator from Florida has selected an unfortunate provision of the report from his own point of view.

Mr. SMATHERS. The particular language that the Senator has just read is a part of the amendment which I understand the Senator actually favors. In other words, it is in the House language. This is the same as the House language; so what the Senator is now using is his own amendment.

Mr. GORE. No, Mr. President. The report from which I have read is the Senate committee report.

Mr. SMATHERS. But on that point it is the same as the House version of the bill.

Mr. GORE. Oh, no; I beg the Senator's pardon. The words are "associated with"; and the amendment before the Senate, to which this report applies, uses the words "or associated with".

HOUSE SOLUTION TO THE PROBLEM

The test adopted by the House of Representatives is that the expense of an entertainment activity will not be deductible unless "directly related to the active conduct of the taxpayer's trade or business." Where an expense connected with a facility such as a yacht or a hunting lodge is involved, the taxpayer must also show that the facility "was used primarily for the furtherance of the taxpayer's trade or business." On its face, this standard seems almost as broad as present law and would appear to present many of the same problems.

However, in its report the House Ways and Means Committee has explained its test in a way which provides a number of tangible, practical, and meaningful guidelines: The report states:

The taxpayer will have to show more than a general expectation of deriving some income at some indefinite future time from the making of the entertainment-type expenditure; however, he will not be required to show that income actually resulted from each and every expenditure for which a deduction is claimed.

If the expenditure is for entertainment which occurs under circumstances where there is little or no possibility of conducting business affairs or carrying on negotiations or discussions relating thereto, the expenditure will generally be considered not to have been directly related to the active conduct of business. Thus, the absence of the taxpayer or his representative from the entertainment was not directly related to the conduct of the taxpayer's trade or business. Similarly, if the group of persons entertained is large or the distractions substantial, the cost of the entertainment will not be deductible, in the absence of a clear showing of a direct relationship to the active conduct of the trade or business.

This clear statement of legislative intent by the Ways and Means Committee of the House of Representatives, coupled with the statutory language, provides a partial solution to the difficult expense-account problem, and should go a long way toward reducing the abuses outlined above. However, critics of the House proposal attacked this crucial committee report statement on the ground that it had no support in the statute.

In view of the broad language of the statute, requiring explanatory implementation to make it useful, this contention is baseless. The true reason for the complaint is the fact that the bill as interpreted by the Ways and Means Committee report would have some real teeth in it.

It seems to me, however, that it would be the better part of wisdom to enact the original proposal of the President. I have prepared an amendment which would do this. Its language is clear, simple, and plain.

FINANCE COMMITTEE SOLUTION—FORMULA FOR CONFUSION

Mr. President, at this time I should like to address myself to the Finance Committee's solution — the pending amendment and the majority report, which I call a formula for confusion.

The only change in the pertinent House statutory language made by the Senate Finance Committee is the addition of the words "or associated with." Thus, a taxpayer could deduct an entertainment expenditure which was only "associated" with the active conduct of his trade or business, as well as one which was directly related thereto. Since this statutory language is quite similar to that of the House version of the bill, one would reasonably expect again to find a helpful explanation as to what the committee intended to accomplish by its additional phrase "or associated with."

Unfortunately, such is not the case. Unlike the clear, concise, and workable guidelines set forth in the House Ways and Means Committee report, the Senate Finance Committee report is a mass of vague, disconnected statements and examples which are destined to spawn controversies more numerous and intense than those which occur with such disturbing frequency under present law.

Mr. LONG of Louisiana. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. Not just now, Mr. President. I am discussing in a very carefully prepared manner the majority committee report which both the junior Senator from Florida and the junior Senator from Louisiana have asked me to discuss. So if the Senator from Louisiana will defer for a few moments, then I shall be happy to yield.

Mr. President, although the Senate committee report attempts to paint a picture of virtue and righteousness, even a casual glance beneath the surface reveals that the virtuous exterior is more illusion than reality. For example, the report states:

Nothing in your committee's bill is to be construed as allowing a deduction for any expense which is against public policy or which violates the public conscience. Deducting an expense incurred for such purpose under the guise of generating "business goodwill" will not be condoned and under your committee's amendment is not deductible. Thus, the cost of liquor purchased for the entertainment of customers and the promotion of goodwill (which under existing law has been held deductible) will be disallowed if the serving of liquor violates the public morals of the community as expressed in local law.

Mr. President, I should like to read that again, for additional emphasis. The Senate committee report states:

Thus, the cost of liquor purchased for the entertainment of customers and the promotion of goodwill (which under existing law has been held deductible) will be disallowed if the serving of liquor violates the public morals of the community as expressed in local law.

Mr. DOUGLAS. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. If the Senator from Illinois will permit me to continue, I shall appreciate it. A moment ago I declined to yield to the Senator from Louisiana. But I shall be glad to yield in just a moment.

Mr. DOUGLAS. Very well.

Mr. GORE. Mr. President, I continue to read from the Senate committee report:

Another example of expenses for immoral purposes which have been claimed on tax returns under existing law involves expenditures to provide call girls for the purpose of entertaining clients. Under your committee's amendment no deduction whatsoever is to be allowed for expenditures of this nature. In no legitimate sense are they "directly related to or associated with the active conduct" of a trade or business.

The foregoing suggests that the committee's action will serve as a moral broom to disallow expenditures where liquor is illegal under local law, and where call girls are utilized as business entertainment. However, expenditures such as these, which violate clearly defined lines of public policy, are not deductible under present law. See *Smith*,

33 T.C. 861 (1960); *R. E. L. Finley*, 27 T.C. 406 (1956); *U.S.* v. *Winters*, 261 F. 2d 675 (1958). What, then, will be accomplished under the committee's language? Is it not clear that this is simply a smokescreen thrown up to suggest that abuses are being remedied, whereas in actuality little, if anything, is being accomplished beyond present law?

Mr. LONG of Louisiana. Mr. President, at this point will the Senator from Tennessee yield?

Mr. GORE. Not just now. I am dealing in a careful way with the Senate committee report, and also am showing that it claims to do something which it does not do.

Mr. President, the Senate Finance Committee report stresses the desirability and wholesomeness of goodwill entertainment. It states:

> Good will has long been recognized as a legitimate objective of business entertaining and where the purpose of the expense and its clear relation to a business is firmly established, the expense ordinarily will continue to be deductible.

Mr. President, I wish to read that again. The Senate Finance Committee report states:

> Good will has long been recognized as a legitimate objective of business entertaining and where the purpose of the expense and its clear relation to a business is firmly established, the expense ordinarily will continue to be deductible.

The report further states:

> To eliminate the harshness resulting from the House report—

I digress to say that I recognize nothing harsh about the House report. In fact, I thought the House of Representatives dealt rather gingerly with the subject. I would have much preferred to see the House and the Senate adopt the recommendation of the President and the Secretary of the Treasury to stop this expense account tax abuse. I think the House bill, and particularly the committee report, does a fairly good job, but I recognize nothing harsh about it. I did not think, as I said, that it was strong enough.

I return to the quotation:

> To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary.

I digress. The advocates of this amendment may claim that the purpose of it is to stop certain abuses. I have just read the report. Why is it said that it is necessary to amend the House language?

> To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary.

What language did the committee adopt? Three innocent little words, "or associated with." And what do these words mean? I read now from the report:

> This new language will permit deductions of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business good will with regard to whether a particular exception applies.
>
> However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation of deriving some income or other benefit to his business as a result of the expenditure. If he meets this test, the expenditure will be considered to be associated with——

Let me repeat, "associated with."

Let me repeat, "associated with."

Let it sink in, "associated with."

> If he meets this test, the expenditure will be considered to be associated with the active conduct of his trade or business; otherwise, the expense would be disallowed under your committee's amendment.

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

Mr. GORE. I yield to the Senator from Illinois.

Mr. DOUGLAS. In other words, under the name of good will, one could invite customers to the Kentucky Derby, pay their expenses, and entertain them, and that would be a deductible expense?

Mr. GORE. Let us read from the report:

> This new language will permit deduction of expenses for entertainment——

Mr. DOUGLAS. The Kentucky Derby is entertainment.

Mr. GORE (continuing):

> or amusement——

Mr. DOUGLAS. It is amusement, too.

Mr. GORE (continuing):

> or recreation.

Mr. DOUGLAS. It is said to be recreation.

Mr. GORE (continuing):

> incurred for the creation or maintenance of business good will.

Mr. DOUGLAS. That is the alleged purpose.

Mr. GORE (continuing):

> Without regard to whether a particular exception applies—

That includes everything, does it not?

Mr. DOUGLAS. It is very broad. It could apply to tickets to prize fights, to build up good will.

Mr. GORE. If that is amusement.

Mr. DOUGLAS. Sixty-five-dollar tickets to see "My Fair Lady."

Mr. GORE. Yes.

Mr. DOUGLAS. Expenses at the 21 Club.

Mr. GORE. If that is amusement.

Mr. DOUGLAS. It is amusement.

Mr. GORE. Or entertainment.

Mr. DOUGLAS. Or for the purpose of building up good will.

Mr. GORE. Is that not wonderful?

Mr. MILLER. Mr. President, if the Senator will yield for a moment, I do not wish to interrupt, but having sat on the other side of the table from some rather sharp-penciled, long-nosed revenue agents, in trying to obtain for my clients a fair share of deductions, I must say that if the Senator from Tennessee were a revenue agent, he would be the most popular revenue agent in the world if he would allow all these deductions willy-nilly.

Mr. GORE. This is not the speech of the junior Senator from Tennessee that I am reading now. I am reading from the majority report. I am reading the legislative intent of the Senate Finance Committee.

Mr. DOUGLAS. And it will be cited by other able attorneys for the corporations that make such charges. If the Senator from Iowa were ever to return to his practice, he would be greatly strengthened by the legislative history which is now being made.

Mr. SMATHERS. Mr. President, I hope the Senator will cease using an example which is not justified, by any stretch of the imagination, in the majority report. We eliminated the trip to Bermuda, but we continue to hear about it. The Senator keeps talking about tickets to "My Fair Lady," dinner at Antoine's, and so forth.

Mr. GORE. I said in the beginning, Mr. President, that such language was not in the speech of the Senator; it is in the majority report. I am reading to the Senate what the committee says is the legislative intent of the three innocent little words, "or associated with." What do I read here?

If the taxpayer meets any of this test—if he meets the test to which I just referred—what will be the result?

The expenditure will be considered to be "associated with his business."

Mr. DOUGLAS. The luncheons at Antoine's would still be a business expense.

Mr. GORE. Or the suites on the waterfront at Miami, or the yachts in the harbor, or the prize fights. That is what it says.

Mr. DOUGLAS. And the caviar, dipped out at the "21" Club, the champagne cocktails before dinner, and the champagne after dinner.

Mr. GORE. If it is amusement.

Mr. DOUGLAS. Or recreation.

Mr. GORE. Or entertainment.

Mr. DOUGLAS. For good will.

Mr. GORE. A close analysis of these statements makes it eminently clear that expenditures for good will have been given preferred status.

In these references to good will the committee has presented our sophisticated expense account society with a blueprint for continued high living at Government expense and at corporate expense.

Mr. LONG of Louisiana. Who says that? Is that the Senator, or someone else?

Mr. GORE. I say that.

Mr. LONG of Louisiana. I thank the Senator.

Mr. GORE. I say that. If the Senator would like to have me read what he said when he signed the majority report, I shall be glad to read it again.

Mr. LONG of Louisiana. The Senator may suit himself.

Mr. SMATHERS. If the Senator would read it all, and in context, it would be better.

Mr. GORE. Mr. President, I read to the Senator the reference to "call girls."

Mr. SMATHERS. I said to read it all.

Mr. GORE. I read to the Senator about the "call girls." I read about the local laws against drinking liquor.

Mr. DOUGLAS. Are there any local laws against drinking liquor? I do not know of any.

Mr. GORE. There are in Carthage, Tenn.

Mr. SMATHERS. I asked the Senator to read it all, and the Senator said he had read about the "call girls." I would like to have him read all of the report, and in context.

Mr. GORE. Why did the Senator set up this straw girl?

Mr. SMATHERS. The committee wanted to get rid of the problem once and for all. We think we did. The Senator can read into the language all kinds of twists, paragraph by paragraph, out of context.

Mr. GORE. If my friend thinks he is going to get rid of that kind of recreation permanently, I fear he has another thought coming.

Mr. MILLER. Mr. President——

Mr. GORE. What I should like to do is to prevent such things from being tax deductible.

Mr. MILLER. Mr. President——

Mr. SMATHERS. So would we.

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

The PRESIDING OFFICER. Men of good will, will be in order.

Mr. GORE. In a spirit of good will, Mr. President, I shall continue.

These statements in the majority report constitute a formula which would leave the Internal Revenue Service with an impossible enforcement task, for, in effect, almost all entertainment expenditures, both for the creation and maintenance of business good will, are declared to be henceforth deductible.

In stating that the taxpayer must demonstrate a clear business purpose and show a reasonable expectation of deriving some income—it does not say how much, but only some income or other benefit—and it does not say what kind—to his business from the making of the entertainment expenditure, the committee report would add nothing to the requirement of present law.

The taxpayer must meet precisely the same tests today, and it is under those tests that widespread abuses have arisen. As hundreds of cases illustrate, such vague and generalized requirements at present are so easy to meet as to be practically meaningless.

Mr. CURTIS. Mr. President, will the distinguished Senator yield for a question.

Mr. GORE. I yield.

Mr. CURTIS. I think the distinguished Senator from Tennessee realizes that I did not support the bill in the committee. I voted against it.

Mr. GORE. So did I.

Mr. CURTIS. I need some information. The estimate of the Treasury Department as to the effect on revenue, found on pages 9 and 10 of the report, is that the section on expense accounts would pick up $60 million in added revenue in a full year, and $40 million net.

Mr. GORE. Compared to the President's estimate, and the estimate by the Secretary of the Treasury, that we ought to pick up a minimum of $250 million.

Mr. CURTIS. What is the position of the distinguished Senator from Tennessee? Does the Senator favor the existing law, or something in lieu of the committee language?

Mr. GORE. First, I oppose the committee amendment which is now pending, which would add to the House-approved bill the words "or associated with."

I particularly oppose the addition of the amendment because the committee report states that the language of the House bill must be changed in order to eliminate the harshness resulting from the House report. As I said earlier, I did not think that the House action or the House report contained any harshness. It dealt a good deal less vigorously with this gnawing and cancerous problem than the President and the Secretary of the Treasury recommended.

The House did a fairly good job.

The Senate committee report, which neither the Senator nor I signed, states that to relieve the alleged harshness the "amendment of the language of the House bill is necessary."

When the committee added that language, it then proceeded to say what it would permit. I am against permitting the kinds of deductions which the report says the amendment would permit.

Mr. CURTIS. Is it not true that the bill as reported by the majority of the committee would represent a tightening of existing law?

Mr. GORE. By the Senate committee?

Mr. CURTIS. According to the decision by the Treasury Department it would be, because it is said that it would increase the revenues by $60 million a year gross or $40 million a year net. If the present law were to be changed in such a manner as to collect more revenue there would have to be a tightening of the present law.

Mr. GORE. I have readily accepted that, with respect to facilities, the primary use test constitutes some improvement. I do not believe, overall, that the amendment and the interpretation of it would constitute an improvement.

Mr. CURTIS. Then the Treasury Department must be incorrect in its estimate, because we could not liberalize the language and also collect more revenue.

Mr. GORE. I think one must consider the problem as involving something more than revenue. There are moral, political, and ethical values involved, some of which are not measureable by a dollars and cents figure.

To answer the Senator further as to my position, I would much prefer to have the request by the President and the Secrteary of the Treasury written into law. I think the President and the Secretary of the Treasury did a magnificent job in analyzing and dramatizing this cancerous problem. I think they proposed measures for its solution which would have been effective and would have eliminated the abuses.

Mr. CURTIS. Why is the present law not effective?

Mr. GORE. I would prefer to see that recommendation adopted. However, that is not what is before the Senate. There is before the Senate the House-passed bill, which would do a fair job.

But the Senate committee has found it necessary to adopt an amendment. Why? "To eliminate the harshness resulting from the House report."

Let me say to my distinguished friend, the Senator from Nebraska [Mr. CURTIS] that the committee proposes to delineate—to spell out specifically—what the language would permit. What language is the committee talking about? Those three innocent words—"or associated with." What would be permitted? I hope the Senator is following me.

Mr. CURTIS. I am.

Mr. GORE. Deduction of expenses for entertainment, amusement or recreation incurred for the creation or maintenance of business and goodwill, without regard to whether a particular situation applies. However, this new language would apply only if the taxpayer demonstrated a clear business purpose and showed a reasonable expectation of deriving some income or other benefit to his business as a result of the expenditure. If he meets that test, the expenditure would be considered to be associated with the active conduct of his trade or business. Otherwise, the expense would be disallowed under the committee's amendment.

Mr. DOUGLAS. On page 26 of the committee report the following language appears:

> The new language will permit deduction of expenses for entertainment, amusement or recreation incurred for the creation or maintenance of business good will without regard to whether a particular exception applies.

It is that which I am opposing. I fully believe that the administration, with all of its vigor, is opposed to the pending committee amendment. I hope that will be made clear by tomorrow.

Mr. President, on page 27 the committee went on to say:

> Entertaining guests at nightclubs, country clubs, theaters, football games, and prize fights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation."

Mr. GORE. I had not reached that point. I appreciate the Senator's calling that to my attention. It has been said that certain things would not be allowed. For example, we were told that vacation trips would not be allowed. I will not say what we were told. The record will speak for itself.

I read again:

> Entertaining guests at nightclubs, country clubs, theaters, football games and prize fights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute——

What?

Mr. DOUGLAS. Entertainment.

Mr. GORE. Amusement.

Mr. DOUGLAS. And recreation.

Mr. GORE. To create good will.

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

Mr. GORE. I yield.

Mr. CURTIS. Why are unreasonable deductions allowed at the present time? The code provides—

> Shall be allowed as deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

Why is it that the Treasury allows unjustifiable expense items?

Mr. GORE. I would not like to be diverted in that manner. It is a known fact that under present law widespread abuses occur. The President of the United States has told the Congress that the abuse cannot be corrected without amendment of the law. So I would not wish to discuss with my distinguished friend why, under present law, the abuses have occurred and cannot be stopped under present law.

I wish to discuss the committee amendment which would perpetuate many of the abuses.

I say to my friend from Nebraska that what I am about to read is what the committee report says the three little words "or associated with" mean:

In addition, "entertaining" includes any business expense incurred in the furnishing of food and beverages, a hotel suite, a vacation cottage, or an automobile, either to a customer (present or potential) or to any member of such a customer's family—

We have been told that it would not include the wives.

A wife is a member of a family. It would include the wife of a present customer or the wife of a potential customer.

Mr. CURTIS. Is the Senator reading from the House report or the Senate report?

Mr. GORE. I am reading the majority report of the Senate Finance Committee.

Mr. CURTIS. Is that not the same as the House bill, which the Senator supports?

Mr. GORE. No; it is not. I shall tell the Senator why. I shall go back. The Senator will notice that I started reading an interpretation of the word "entertaining." This is the legislative intent.

Mr. CURTIS. The Senator has said that he is reading from the Senate report. The same language is contained in the House report, which the Senator supports.

Mr. GORE. I am reading the interpretation contained in the Senate committee report of the language of the bill as amended by the pending amendment.

Mr. CURTIS. The points the Senator has enumerated are taken from the House report.

Mr. GORE. If the Senator will let me give him some information, I shall try to do so. I am reading now from the majority committee report.

Perhaps I should read the whole paragraph. Before I do so, I should like to say that it relates to the interpretation which I have previously read of the language contained in the committee amendment—"or associated with," which would permit deductions for entertainment, amusement, or recreation. Now I am reading the paragraph which gives the interpretation of the meaning of the word "entertain."

Entertaining guests at nightclubs, country clubs, theaters, football games, and prizefights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation." In addition, "entertainment" includes any business expense incurred in the furnishing of food and beverages, a hotel suite, a vacation cottage, or an automobile either to a customer (present or potential) or to any member of such a customer's family. If deduction is claimed for any expense for "entertainment, amusement, or recreation" the facts and circumstances of each particular case will determine the extent to which the expenses will be disallowed.

How much more explicit could a committee report be?

After that good, sound beginning, we have the real meat and meaning of the words "or associated with."

Furthermore, though the committee report makes numerous references to good will, it gives no indication as to what is encompassed by this term. Nowhere is good will defined. How does a businessman go about creating good will?

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

Mr. GORE. I yield.

Mr. DOUGLAS. The Senator must remember that in the French Revolution, when one of the Girondists was led to the guillotine, she exclaimed, "O liberty, liberty, what crimes have been committed in thy name."

Can we not now say, "Good will, good will, what crimes the Senate Finance Committee has committed in thy name"?

Mr. GORE. What is good will? It seems clear that the sky is the limit. If a businessman thinks a big yacht may be helpful in developing some customers, does not this committee report language put the official congressional stamp of approval on his deduction of these substantial costs of maintaining such a "business" asset?

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

Mr. GORE. I yield.

Mr. DOUGLAS. Because it will create recreation.

Mr. GORE. And entertainment.

Mr. DOUGLAS. And amusement.

Mr. GORE. And maintain good will.

Mr. DOUGLAS. Or create good will.

Mr. GORE. Is not a revenue agent foreclosed from effectively examining into the matter?

In the light of all the foregoing statements respecting good will, very little is salvaged from the following comment—particularly in view of the illustration given as to what is meant by "vague good will."

Where good will generated by the expense is vague or where the possibility of the expenditure resulting in the production of income is remote, no deduction will be permitted. For instance, under present law a taxpayer may deduct expenses of entertaining buyers and others associated with his trade or business even though at the time he does the entertaining he already has more business than he can handle. Under your committee's amendment, however, no deduction will be allowed because, with a large backlog of unfilled orders, such entertainment ordinarily cannot be regarded as being associated with efforts to produce income.

This narrow exception to the basic theme of the Finance Committee report that all good will entertainment is deductible is scant evidence of tightening up present law. Rare indeed is the case where the taxpayer has such a backlog of unfilled orders that his entertainment activities cannot be regarded as being associated with efforts to produce income. It is interesting to note that even in such an extreme case the report hedges the consequences by providing that "ordinarily" the deduction will not be allowed. Moreover, there is a good possibility that entertainment expenditures in such a unique case are not deductible under present law because they are in the nature of capital expenditures—Cf. James Schulz, 16 T.C. 401.

Here again the committee has done nothing more than set up a strawman—to give the illusion that a cutback on existing law is being effected. In reality nothing has been accomplished—except that perhaps another arena for conflict has been created.

The "harshness" of which the report speaks is that the House provision, as explained by the Ways and Means Committee's report, has some effect and will disallow some entertainment expenditures which are deductible under present law. Presumably that is the purpose of this legislation. However, one must struggle hard to tell which of the above-described cases would be denied deduction under the Finance Committee report. How much, if anything, would be disallowed to the corporation which spent and deducted almost $1 million in 1 year for yachts, club dues, shipboard conventions, hunting and fishing trips, and parties? Does not a corporation make such expenditures to develop good will? We have already seen that good-will expenditures are clearly deductible under the Finance Committee report. How about the banker who deducted a substantial part of the cost of his daughter's coming-out party as a business expense? Was he not also developing customer good will? Certainly the Government is not, under the Finance Committee report, free to disallow expenses regardless of the form of entertainment the taxpayer may adopt to develop good will. Similarly, in all the other cases set forth above, the taxpayer would appear to be able to continue to deduct all entertainment expenditures.

Under the Finance Committee report, do yachting expenses continue to be deductible? If not, then the report should clearly so state. Does the cost of maintaining hunting lodges for entertainment continue to be deductible? If not, then the committee report should so state. Is the cost of wining and dining at nightclubs deductible? If not, the committee report should clarify the situation. Do tickets at $30 apiece for musical comedies continue to be deductible? If not, the committee report should so indicate or provide some standard or guideline by which the answers to these questions can be determined by the taxpayers and revenue agents who will be left floundering in their attempts to know what the rules are.

One further "red herring" in the Finance Committee report should be mentioned. The report states that no deduction will be allowed for entertainment expenses "which under the circumstances in which they are incurred are lavish or extravagant." Here again no standards or guidelines are furnished. What is lavish or extravagant under the circumstances? If the circumstances involve a taxpayer accustomed to enter-

taining in an elaborate and expensive style, can they be held to be "lavish" under the circumstances? When does a yacht become an extravagant expenditure? When it is 60 feet in length? One hundred feet in length? Would these criteria vary with the income—or expected income—of the taxpayer? Would a resident of Miami Beach, Fla., be entitled to a bigger and more expensive yacht than a resident of Providence, R.I.? Would a beach home with eight rooms be a lavish facility? What about one with 30 rooms? Would a corporate president be entitled to drink champagne whereas a vice president could have only a whisky highball and a proprietor of a country grocery store only ordinary corn liquor?

Is it not abundantly clear that the so-called test produced by the Finance Committee, superimposed upon the unsatisfactory test of present law, will simply compound existing difficulties? The litigation and controversy which would follow adoption of such meaningless language would even make the present situation seem a happy one. The result would be a real mess. And to what avail?

It seems clear that a change in existing law is necessary. Court decisions and administrative actions over the years have punched so many holes in the feeble wall of resistance to abuse which the statute now constitutes that a completely new structure is warranted.

It seems to me that the President's original proposal is a sound one. It ought to be enacted.

The Senate in 1960 did take a significant step in this regard. I hope it will do so again now.

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

Mr. GORE. I yield.

Mr. DOUGLAS. I congratulate the Senator from Tennessee on his very able speech, particularly on the way he has leveled in on pages 26 and 27 of the committee report, which clearly indicates that everything in the field of amusement, recreation and entertainment has been opened up, if it can be claimed that it creates good will. Has the Senator ever heard of a firm that has had too much business?

Mr. GORE. No. I thank the Senator from Illinois.

I believe that if those who read the CONGRESSIONAL RECORD will carefully peruse the detailed analysis which I have given of the majority report they will see why I felt justified in saying earlier, and why I feel justified now in saying, in conclusion, that if a Senator, who reads and understands the report and the amendment, votes to approve it he will vote to continue the widespread abuses of which the President and so many citizens have complained.

Mr. DOUGLAS. The country owes a great debt of gratitude to the Senator from Tennessee. I hope his words will have effect in the vote which is expected to come tomorrow. I am sure they will furnish material for students of this subject and for the general public in years to come. Even if we should be beaten by the bipartisan alliance tomorrow, we hope we will win in the future.

Mr. LONG of Louisiana. Mr. President, only a few days ago the junior Senator from Louisiana was engaged in a hard fight to the bitter end side by side with the junior Senator from Tennessee, on the subject of the space satellite. In that instance, both of us were opposed to the administration's position.

I now find that we must choose sides and to start all over again, because of our difference of opinion with respect to the pending measure. This difference of opinion does not diminish my admiration or high regard for the Senator from Tennessee. We just see things differently this time.

I find myself somewhat at a disadvantage to explain what I am about to say, because in some respects one would think that the background of the junior Senator from Louisiana would mean that he would choose the opposite position to the one he has chosen. One might think that in view of the politics that was occasioned by my family tradition. I was inspired by the example of my father, who was the author of the share the wealth plan. He had a theme song that went:

Every man a king.
Every man a king.
For you can be a millionaire.
But there is something belonging to others;
There's enough for each one to share.

As one who strongly admires and adores his father, I always want to go the extra mile and generally I try to agree with him on his share-the-wealth plan. However, nothing he ever suggested, so far as a person who hoped to earn money is concerned, was ever so extreme as the present income tax law of the United States. For example, my father, the late Huey Long, who was once a Member of this body, never conceived of a tax of 84 percent or 90 percent on personal income, the tax which a person pays today on the present tax base. Yet, in his day, he was the foremost advocate of a very high graduated income tax.

When a person is taxed at a rate of 90 percent—and for persons who are successful and are earning a substantial income, it does not require too much income to get into that bracket nowadays—he ought to be permitted every legitimate deduction which his business requires. That is my attitude.

When Secretary Dillon appeared before the Committee on Finance, he was testifying for a position which seemed to be totally impractical. The Secretary had previously testified for the position that a businessman, even one who had very great responsibilities, should not be permitted to spend more than $4 or, at most, $7 a day for business meals or for entertainment expenses.

He was testifying for a position that a person should not be permitted to spend more than $30 a day for meals and lodging. That was the position he had recommended before the House committee, which he was not successful in bringing to the Senate. But that was basically the administration's starting point.

In my judgment, this is a completely impractical proposal. It will not work. It amounts to taxing people for necessary expenses in their business. It seems to me that necessary business expenses should be permitted. A person should not be denied the ordinary deduction which would be expected of a person in his position.

When the Secretary discussed some of these instances, I asked him if he did not understand that there would be a difference between what would be expected of a lawyer in my home town of Baton Rouge and a lawyer practicing in New York City. If a prominent businessman called on a lawyer practicing in Baton Rouge, the entertainment expected might be a dinner at a nice restaurant or at a country club. On the other hand, if he were to appear in New York City, and the client were a substantial person, under the existing rule that client would expect the lawyer, if he were doing business in a major degree, to get tickets to a Broadway show for himself and perhaps his wife, also.

Secretary Dillon said quite frankly before the committee that in his firm, which was not a law firm, but a brokerage or investment firm, it was standard procedure—they did it as their everyday way of doing business—to obtain theater tickets for some of their better customers. It appeared to me that he had been testifying more for the position of some of his assistants, who had perhaps never known what it was to entertain graciously in their lives, rather than for the position of one who understands what the needs of a businessman, particularly those in substantial positions, might be.

There is nothing in the bill which would give the businessman any deduction to which he is not already entitled. The bill is strictly a one-way street, so far as the entertainment sections are concerned. Compared with existing law, the businessman does not gain in any respect; he loses in every respect.

It is very well for one Member of this body to talk about how completely wide open the loophole for the entertainment expense allowance might be. If you talk to some of the businessmen whom you respect in your community, let them tell how rough the revenue agents can be under existing law in denying them the right to take deductions which they feel would be fairly and properly deductible.

As an example, a business friend in my hometown had a small yacht. He took the president of the State University for a trip on his yacht. My friend was the chairman of the board of the State university. He was told by the revenue agents that he could not deduct that expense because he could not show them what business he expected to get at the university merely because he took the president of the university and his family for a ride on the yacht. My friend thought that position was an outrage, and he did the best he could to defend his position.

I know of many cases, as the Senator from Iowa [Mr. MILLER] has suggested, in which businessmen, in good conscience and good judgment, felt they were entitled to such deductions because they thought it was expected of them to entertain, and they considered the entertainment to be a necessary expense

of doing business. Yet such expenses have been disallowed many times.

In my judgment, the committee report goes too far. The item in which I have been most interested involves merely permitting a man to entertain a business associate at dinner without having to twist his arm for the business the whole time. I do not know how it appeals to others, but as one who has been entertained by someone who has hoped to do business with me, and as one who entertained himself, it does not seem gracious to me only to entertain a person in such a situation that he can be badgered for a contract the whole time the person is trying to eat his meal.

It would often be better to entertain graciously without talking about business at dinner or lunch, and then, on a subsequent occasion, to talk about business. That would seem logical in many cases.

I have fought to try to preserve that right. If a substantial businessman comes to town, seeking to sell to somebody or seeking to do business with him, or if a lawyer entertains the head of a large corporation, hoping that that might lead to his firm being retained to represent that corporation, it seems to me that the expense of entertaining that man and his wife should be deductible, not only for the business client and his wife, but for the lawyer and his wife. Yet the committee report undertakes to say that the only expense that can be deducted is the expense of two dinners, one for the man and one for the client, but nothing for their wives. The Senator from Tennessee would make the amount totally nondeductible if the person did not take the client to a place which was conducive to talking business.

If those people went to a country club or a nightclub, it would be held that that was not conducive to doing business. It would be necessary to show that it was a good place to get a hammer-hold on the person to make him sign a contract; otherwise, the expense would not be deductible. To me, that does not appear to make much sense. Yet the committee report tightens up to the extent that one-half the deduction would be allowed for entertaining the client and his wife.

The matter of good will has been discussed, and discussed elaborately. The Senator from Tennessee [Mr. GORE] and the Senator from Illinois [Mr. DOUGLAS] discussed the definition of "entertainment." They did not go on to say what else was necessary in order to get an entertainment allowance. But entertainment includes good will and various and sundry other things.

Mr. DOUGLAS. We were not giving our own interpretations; we were quoting from page 27 of the committee report, which reads:

> Entertaining guests at nightclubs, country clubs, theaters, football games, and prize fights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation."

Mr. LONG of Louisiana. Yes; and the exact language is in the House report. So far as defining "entertainment" is concerned, there is no real difference whatever between the House and Senate language. We are talking about what must be proved in order to get a deduction under the amendment. The difference is what must be proved in order to obtain a deduction for entertainment. Under the Senate language, it would be necessary to show that there was more than a general expectation of doing business.

In other words, one could entertain for purposes of good will, but he would have to show more than just a general, vague notion of getting good will. He would have to show that there was more than a remote possibility of getting business. In fact, the Senate committee report states on page 28, in the third paragraph:

> It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer.

So in order to obtain a deduction as an entertainment expense for any of these, it would have to be proved that there was more than a general expectation of obtaining business, and that the entertainment had as its predominant purpose the obtaining of business.

Mr. CURTIS. Mr. President, will the Senator from Louisiana yield?

Mr. LONG of Louisiana. I yield.

Mr. CURTIS. After the attack which has been made on the committee, I think it well to bring out, in this regard, all these references. The committee report also states, on page 30:

> No deduction will be allowed under this provision for any "entertainment, amusement, or recreation" expenses which under the circumstances in which they are incurred are lavish or extravagant. This will be so even where a direct business purpose is firmly established.

And at another point the committee corrects the rule, and requires that everyone substantiate his expenses with bookkeeping. The committee has tightened the present law to the tune of some $40 or $60 million.

Mr. LONG of Louisiana. This is more than a matter of tightening existing law to the tune of $40 or $60 million a year. The estimate made by our committee staff—and many times the estimates of our committee staff have been proved to be more accurate than those of the Treasury—is that this involves tightening the existing law by $85 million, and it will knock out many allowances heretofore made. As I have said, in my judgment we are being too tough on the taxpayers.

When the Senator says no lavish entertainment will be permitted, he realizes that this would leave the Treasury's agents the right to adopt their own standards and definition of "lavish", and the taxpayer would have to reveal to the Treasury agent the information on which the Treasury agent would make the determination as to whether the expense was lavish. I certainly hope someone has talked about taking people to dinner at Antoine's—which is not as expensive as some people think—or taking people to dinner at Club 21, which I have heard is just about as expensive. Someone might determine that that was lavish, but I hope it will not be determined as being lavish. I think that a person who makes one or two trips a year to New York could very well entertain at Club 21.

Mr. DOUGLAS. Or at the Four Seasons?

Mr. LONG of Louisiana. I have never paid a bill there, so I do not know whether it would be considered lavish.

Mr. DOUGLAS. In the stratosphere.

Mr. CURTIS. Mr. President, I wish to concur in the commendation of the estimate made by the Joint Committee. It has demonstrated by its estimates that they are carefully made. However, I shall not go into that now.

I was addressing myself to what the Senator from Tennessee contended was the position taken by the committee. My concern is not as to what restaurant some person may choose to go to. I rise to defend the integrity of the majority of the committee. They have brought in a proposal which limits the deductions and increases the revenue. However, I believe that many of the utterances made on this floor would not give that impression to the listening public or the reading public.

I thank the distinguished Senator from Louisiana for permitting me to add that much of what I hope will be a clarification of the RECORD.

Mr. LONG of Louisiana. I thank the Senator from Nebraska.

From the statements made here, one would gain the impression that the taxpayer would be gaining something which he does not now have. But this is purely a one-way street, and the taxpayer will lose.

Frankly, it seems to me that one of these days the taxpayer should win once in a while, rather than lose all the time. Losing all the time seems to be the way this part of the bill would work.

Many references have been made to so-called horrible examples of what the bill would allow. For example, a safari to Africa was referred to. However, the cost of the safari was deducted as an advertising expense. But on page 28 the language spells out that that could not even be taken as an advertising expense.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD an excerpt from page 28 of the committee report and also an excerpt from page 30, dealing with claimed deductions for activities of this type which would not be permitted.

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

> An objective standard also will overrule arguments such as the one which prevailed in *Sanitary Farms Dairy, Inc.* (25 TC 463 (1955)) that a particular item was incurred, not for entertainment, but for advertising purposes. That case involved a big-game safari to Africa. The taxpayer argued successfully before the Tax Court that the expense of the hunt (including costs of making motion pictures which were later shown to customers and potential customers) were incurred solely for advertising purposes. Under the bill, if the activity typically is considered to be entertainment, amusement, or recreation, it will be so treated under this provision regardless of whether the activity can also be described in some other category

of deductible items. This will be so even where the expense relates to the taxpayer alone.

* * * * *

Expenses for entertainment, amusement, and recreation should be identified by the taxpayer on his return and treated under the new rules of this bill. It will not be appropriate to include these expense items in other categories of business deductions, where their character will not be apparent, such as advertising, public relations, cost of goods sold, reimbursed expenses, etc. Failure to substantiate the claimed entertainment expenses by adequate records or other sufficient evidence may result in complete disallowance of the deduction.

Mr. LONG of Louisiana. Mr. President, much has been said about yachts, vacation cabins, hunting lodges, and so forth. Once again I say that in my judgment the bill is too strong, if anything. In order to be able to take any of these deductions, a person will have to maintain records as to when and where and who were present and for what purpose. That has not been necessary in the past. Records are one of the chief things the Treasury wishes to have in connection with claims for such allowances.

The language is:

The requirement that the taxpayer's statement be corroborated will insure that no deduction is allowed solely on the basis of his own unsupported, self-serving testimony.

But one who listened to what was said earlier this evening about this matter would have gained the impression that just the opposite was the case. However, of course, that is not true.

One of the examples which was given was that of a movie star—Olivia de Havilland—who deducted the expense of jewelry given to her servants. Under this bill she would be allowed to deduct a gift of $25 to one and a gift of $25 to the other, but no more.

Let us return to my statement about yachts, hunting lodges, and swimming pools, about which much has been said. As the situation is today, the taxpayer is able to negotiate with the Treasury—without proof, without records to prove it—a deduction of a certain percentage of his expenses for any one of those items. If the Treasury will not allow the taxpayer the entire expense of operating his boat, the Treasury will allow him perhaps 50 percent of it, without requiring him to produce records to prove it.

But under the Treasury's language here, the taxpayer would have to show that this facility—whether a yacht or a hunting lodge or a swimming pool, or whatever it was—was used primarily—which means more than 50 percent—for business entertainment; and he would have to have records to prove it; and the records would be subject to attack on the basis that he would have to show that there was more than just a general expectation of creating some goodwill.

In addition, when the taxpayer had met the primary test—when he had shown that the facility was not used primarily by his family or his friends for social entertainment, then he would have to allocate as between the business use and the personal and family uses; he would have to establish the percentage of the facility which was used for business purposes and business entertainment. In doing that, I suppose he would not be able to deduct for the entertainment of the wives, because the committee report is so tough on the wives that it seems that the tax would have to be paid if the man's wife were invited there.

So this is a very great strengthening—in my judgment, too much of a tightening—of the existing situation.

It seems to this Senator that if a man had a yacht and used it 30 percent of the time for entertaining business guests, and he could show it was used in pursuit of sales and business activities when these people were on the boat, he ought to be able to deduct 30 percent of the cost; but, under the bill, he would not be able to deduct 5 cents. That is the extent to which it has been tightened.

I do not think we should go beyond that point and be as severe as the House report—and I do not think the House committee intended to be that severe, when the Treasury Department wrote the report. That is why I insisted that the Treasury should not write the Finance Committee report, but that the staff should.

Let me read what our reaction to the House report was. I read from page 26 of the Senate committee report:

The report of the Committee on Ways and Means made it clear that the House bill was not designed to disallow completely deductions for entertainment, amusement, or recreation expenses, but rather it was intended to eliminate abuses. Under the general rule, no deduction would be allowed for any such expenses except to the extent that such expenses are directly related to the active conduct of a trade or business. Despite the clear language of the House bill and the stated intent of the provision, considerable uncertainty and confusion as to the actual effect of the House draft has been created by the interpretation given this language in the House committee report.

It in effect interprets the proposed statutory language to disallow a deduction for any expense for entertainment, amusement, or recreation unless the expense is described in one of a series of specific exceptions to the general rule. Where the expense is covered by an exception, the rules of existing law would continue to govern the deductibility of the expense.

In other words, under the interpretation which the House committee report gave to the language, the bill provided a complete disallowance of any entertainment expense unless one could come under a specific exception.

The fact is that the exceptions were unreasonable and far too strict, and the committee felt that one should be permitted a certain amount of reasonable deductions where he could make a very clear showing that he had a purpose of generating business by the entertainment he gave.

I shall discuss this matter in greater detail tomorrow. I did not want to let the CONGRESSIONAL RECORD close for today without responding to some of the statements which I thought were extreme with regard to the action taken by the committee. Again, I say, in my judgment, the committee was too severe, and I feel other deductions should have been permitted.

Mr. SMATHERS. Mr. President, I shall be very brief. The hour is growing late. However, in the few remarks I shall make, I shall show that we have seen demonstrated a good deal of the difficulty in drafting legislation, when a group of Senators on one side do not think we are tough enough, and a group of Senators on the other side are of the opinion that we are too tough. So it falls, as it usually does, on the majority—in this case the majority of the Finance Committee—to finally arrive at some position which they feel answers in some measure the criticisms of those who wanted to be tougher and those who wanted us to be not quite so tough.

I cannot help but agree with the basic views which have been expressed by the Senator from Louisiana. I believe, under our system as we see it operating today in the business community, legitimate business expenses are an integral and necessary part of doing business.

The other day I had a visit from a very successful businessman who claimed that it took him 5 years to get the best client he had, a client that, as he said, his wife and children live upon, so to speak, whose children were educated by him, because he got his main business from him. He tried entertaining him at lunch. That did not do any good. He tried entertaining him at golf. That did not do any good.

Finally, he found that the man had a weakness for reading books, so he bought some books and gave them to him. That made an impression on the client, and this businessman got his business.

This is a part of our business life. There are those who would like to eliminate it. If the day ever comes when taxes can be reduced from 91 percent to 35 or 40 percent, we can reduce corporate taxes, the day may arrive when we can do away with the so-called business expense deductions; but with the high taxes that we have now, and the manner in which our business community has grown up, we must permit honest businessmen to make business deductions.

Regrettably, there are some Senators who, in their zeal to close loopholes, have apparently been willing to go so far that they want, in effect, to burn down the barn in order to get a few rats. There is no question that there have been some abuses of the expense account provisions. I have not found anybody on the committee, I have not found anybody in the Senate, who approves of taking people to Bermuda, putting them in some cottage down there, and charging off the expense of sending them down and keeping them there as a business expense. I have not found any member of the Finance Committee, or any other Senator, who approves of hunting trips to Alaska, safaris to Africa, or the use of yachts as that practice has been abused. Yet these are the examples which are pointed to, with respect to the bill as it came from the Finance Committee, and it is made to look as though the Senator from Louisiana, the Senator from Nebraska, and the Senator from Virginia, as well as other Members, are in favor of this sort of thing. Of course we are not. What we are trying

to do is arrive at some balanced program which will eliminate abuses and still recognize the legitimate expenses of legitimate businessmen.

This is what we have done. This is the best way we could do it. Necessarily, we do not have all the brains. We do not have the judgment of a Solomon. But we have done the best we can in the only way we can arrive at legislation. That is by taking something from one side and something from the other side and trying to arrive at something that is reasonable and fair.

There is no question that what we have arrived at is a tightening up of the measure, and the proof of it is that the Treasury says it will bring in $60 million more than is being brought in at the present time. If it were, as was indicated earlier this evening by the Senator from Tennessee and his very able colleague the Senator from Illinois, in fact, a loosening provision, or if our amendment were a loosening provision, obviously the Treasury would not gain an additional $60 million. So it must be a tightening provision.

I cannot help but believe that if Senators will read the report in its entirety they will arrive at the same conclusion which the majority of the Senate Finance Committee arrived at—that this is a tightening provision, that it will eliminate abuses, but at the same time permit legitimate businessmen to continue to enjoy legitimate business expense deductions.

I do not believe it is possible for the Senate Finance Committee or any legislative committee to write provisions for all conditions which might arise, which some Senators on the other side would like to do. That cannot be done. The best we can do is give our impressions, and this is what we have endeavored to do in the committee report.

Mr. President, I ask unanimous consent that an excerpt from the committee report dealing with section IV, "Disallowance of Certain Entertainment, Etc., Expenses," explaining the particular section and the legislation pertaining to it may be printed in the RECORD at this point.

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

IV. DISALLOWANCE OF CERTAIN ENTERTAINMENT, ETC., EXPENSES

(Sec. 4 of the bill and sec. 274 of the code)

A. Reasons for provision

The Treasury brought to the attention of Congress that widespread abuses have developed through the use of the expense account. In his tax message to the Congress last year, the President stated his conviction that entertainment and related expenses, even though having a connection with the needs of business, confer substantial tax-free personal benefits on the recipients, and that in many instances deductions are obtained by disguising personal expenses as business expenses. He recommended that the cost of such business entertainment and the maintenance of entertainment facilities be disallowed in full as a tax deduction and that restrictions be imposed on the deductibility of business gifts and travel expenses.

Much of the abuse described by the President can be traced to the broad judicial and administrative interpretation given to the term "ordinary and necessary" which has resulted in many entertainment expenses being allowed as deductions where their connection with a trade or business is quite remote. Under present law, where a business purpose, however slight, exists, then the entertainment expenses generally are fully deductible if they are "ordinary and necessary" business expenses.

After careful consideration of the proposal, your committee has concluded that deductions for entertainment and traveling expenses and business gifts should be restricted to prevent abuses. The committee agrees that this abuse of the tax law should not be condoned, but on the other hand it does not believe that complete disallowance as recommended by the President is the proper solution to the problem. Rather, your committee is convinced that expenses incurred for valid business purposes should not be discouraged since such expenses serve to increase business income, which in turn produces additional tax revenues for the Treasury. If valid business expenses were to be disallowed as a deduction (particularly expenses associated with selling functions), there might be a substantial loss of revenue where business transactions are discouraged, or where they fail to be consummated. Moreover, the entertainment industry employs large numbers of service personnel, most of whom are unskilled workers who would find it difficult to obtain new employment in other fields if the disallowance of entertainment expenses created considerable unemployment in the entertainment industry. In such cases, taxes now paid by these workers would be lost to the Treasury.

B. Comparison of committee amendment with House provision

The House bill provides rules which in general would: (1) Disallow a deduction with respect to entertainment activities, except to the extent that the expense is directly related to the active conduct of a trade or business; (2) disallow a deduction with respect to entertainment facilities, unless the facility is used primarily for the furtherance of the taxpayer's trade or business and the expense is directly related to the active conduct of the trade or business; (3) abolish the Cohan rule by requiring the taxpayer to substantiate, by adequate records or by sufficient evidence corroborating his own statement, all expenditures for entertainment and related facilities, and for travel and gifts; and (4) limit the deduction for gifts to $25 per year per recipient.

Your committee's bill to a considerable degree retains the basic structure of the House bill. However, the effect of the principal provision (the disallowing of a deduction for certain entertainment expenses) has been modified to permit the deduction of expenses for goodwill where a close association is established between the expense and the active conduct of a trade or business.

The report of the Committee on Ways and Means made it clear that the House bill was not designed to disallow completely deductions for entertainment, amusement or recreation expenses, but rather it was intended to eliminate abuses. Under the general rule, no deduction would be allowed for any such expenses except to the extent that such expenses are directly related to the active conduct of a trade or business. Despite the clear language of the House bill and the stated intent of the provision, considerable uncertainty and confusion as to the actual effect of the House draft has been created by the interpretation given this language in the House committee report. It in effect interprets the proposed statutory language to disallow a deduction for any expense for entertainment, amusement, or recreation unless the expense is described in one of a series of specific exceptions to the general rule. Where the expense is covered by an exception, the rules of existing law would continue to govern the deductibility of the expense.

To eliminate the harshness resulting from the House report, amendment of the language of the House bill is necessary. Despite amendment of the House bill your committee has made certain that entertainment expense abuses are eliminated. By your committee's amendment an alternative rule is added to the House bill under which expenses for entertainment, amusement, or recreation (with respect to both activities and facilities) also will be deductible to the extent that such expenses are associated with the active conduct of a trade or business. This new language will permit deduction of expenses for entertainment, amusement, or recreation incurred for the creation or maintenance of business goodwill without regard to whether a particular exception applies. However, this new language will apply only if the taxpayer demonstrates a clear business purpose and shows a reasonable expectation of deriving some income or other benefit to his business as a result of the expenditure. If he meets this test, the expenditure will be considered to be associated with the active conduct of his trade or business; otherwise, the expense will be disallowed under your committee's amendment.

With respect to disallowance of a deduction for gifts in excess of $25, your committee has adopted the rule of the House bill but has modified the definition of "gift" for purposes of applying the limitation. Under the modified definition: (*a*) certain specialty advertising gifts, (*b*) advertising material for use in connection with the recipient's business, and (*c*) certain awards to employees costing not more than $100, will not be taken into account in determining whether the $25 limitation has been exceeded.

The requirements of the House bill regarding substantiation of claimed deductions for entertainment, amusement, or recreation expenses, gifts, and traveling expenses, have been approved without change.

The provision of the House bill which provided that expenses for meals and lodging included in the term "traveling expenses" were to be deductible only if "reasonable" has been clarified to assure that "traveling expenses" are not to include expenses for meals and lodging which are lavish or extravagant. In addition, your committee has added to the House-passed bill a new rule for the allocation of traveling expenses where the trip involves both business and pleasure. Under this rule, which would eliminate abuses involving tax deduction for vacation trips, if the trip is for more than 1 week and the personal portion of the travel time is in excess of 25 percent of the total time away from home, the traveling expenses (including meals and lodging) must be allocated between business and pleasure and only the portion allocated to business will be deductible.

As amended by your committee, the provisions of this section of the bill are to apply to taxable years ending after December 31, 1962, but only with respect to expenditures incurred after that date.

C. General explanation of provision

Your committee's bill adds a new provision to the code (sec. 274), which disallows, in whole, or in part, certain expenses which would be fully deductible under present law. The requirements imposed by this bill are in addition to the requirements for deductibility imposed by other provisions of existing law, which must be met by the taxpayer before this new provision becomes operative. Hence, if an expenditure is claimed as a business expense deduction under section 162, the taxpayer must first establish that it constitutes an ordinary and necessary expense incurred in carrying on a trade or business, before the new provisions of this bill become applicable.

Since the only purpose of this section is to disallow deductions, it will not make deductible any expense which is disallowed under the "ordinary and necessary" test of present law. Moreover, this section does not affect the question of the includibility or excludibility of an item in income of any individual. The rules presently applicable under present law will continue to govern in this respect.

1. Disallowance of expenses for entertainment activities: The first part of the provision provides that no deduction is to be allowed for any expense with respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation, except to the extent that the taxpayer establishes that the expense was directly related to the active conduct of his trade or business or that the expense was associated with the active conduct of his trade or business. Certain exceptions to this rule are provided, however, for expenses not required to meet the new tests. They are discussed in No. 6 below.

Entertaining guests at nightclubs, country clubs, theaters, football games, and prizefights, and on hunting, fishing, vacation, and similar trips are examples of activities that constitute "entertainment, amusement, and recreation." In addition, "entertainment" includes any business expense incurred in the furnishing of food and beverages, a hotel suite, a vacation cottage, or an automobile either to a customer (present or potential) or to any member of such a customer's family. If deduction is claimed for any expense for "entertainment, amusement, or recreation" the facts and circumstances of each particular case will determine the extent to which the expenses will be disallowed.

The trade or business of the taxpayer will determine whether an activity is of a type generally considered to constitute entertainment, amusement, or recreation. For example, with respect to a taxpayer who is a professional hunter, a hunting trip would not generally be considered a recreation-type activity. On the other hand, with respect to a taxpayer whose trade or business consists of selling machine tools or manufacturing clothing, a hunting trip generally would be considered a recreation-type activity. Similarly, attending a theatrical performance would generally be considered an entertainment-type activity, but in the case of a professional theater critic, attending a theatrical performance would not constitute an entertainment activity.

An objective standard also will overrule arguments such as the one which prevailed in *Sanitary Farms Dairy, Inc.* (25 TC 463 (1955)) that a particular item was incurred, not for entertainment, but for advertising purposes. That case involved a big-game safari to Africa. The taxpayer argued successfully before the Tax Court that the expense of the hunt (including costs of making motion pictures which were later shown to customers and potential customers) were incurred solely for advertising purposes. Under the bill, if the activity typically is considered to be entertainment, amusement, or recreation, it will be so treated under this provision regardless of whether the activity can also be described in some other category of deductible items. This will be so even where the expense relates to the taxpayer alone.

Many entertainment expenses which have a business connection nevertheless will not be deductible. To justify their deduction, a taxpayer must establish that the incurring of the expenses relating to the entertainment activities was directly related to or associated with his effort to obtain new business or to encourage the continuation of an existing business relationship. This means that he must show a greater degree of proximate relation between the expenditure and his trade or business than is required under present law. To illustrate this principle, assume a taxpayer entertains a buyer and the buyer's family at lunch and the theater. Under existing law, he claims a deduction for the entire expense; under your committee's bill no deduction would be allowed for any portion of the expense attributable to the buyer's family since as to them he is unable to show a sufficiently close relationship between the expense and his trade or business.

It will not be sufficient that the entertainment expense is vaguely or remotely connected with a business motive; it must be demonstrated that the predominant purpose of the expense is to further the trade or business of the taxpayer. Where goodwill generated by the expense is vague or where the possibility of the expenditure resulting in the production of income is remote, no deduction will be permitted. For instance, under present law a taxpayer may deduct expenses of entertaining buyers and others associated with his trade or business even though at the time he does the entertaining he already has more business than he can handle. Under your committee's amendment, however, no deduction will be allowed because, with a large backlog of unfilled orders, such entertainment ordinarily cannot be regarded as being associated with efforts to produce income.

Under the bill, although deduction for entertainment expenses is restricted, such expenses will not be disallowed merely because they are incurred for the purpose of generating business goodwill. Goodwill has long been recognized as a legitimate objective of business entertaining and where the purpose of the expense and its clear relationship to a business is firmly established, the expense ordinarily will continue to be deductible. However, nothing in your committee's bill is to be construed as allowing a deduction for any expense which is against public policy or which violates the public conscience. Deducting an expense incurred for such purpose under the guise of generating "business goodwill" will not be condoned and under your committee's amendment is not deductible.

Thus, the cost of liquor purchased for the entertainment of customers and the promotion of goodwill (which under existing law has been held deductible) will be disallowed if the serving of liquor violates the public morals of the community as expressed in local law. Another example of expenses for immoral purposes which have been claimed on tax returns under existing law involves expenditures to provide "call girls" for the purpose of entertaining clients. Under your committee's amendment no deduction whatsoever is to be allowed for expenditures of this nature. In no legitimate sense are they "directly related to or associated with the active conduct" of a trade or business.

On the other hand, the following examples are indicative of circumstances under which entertainment expenses ordinarily will not be disallowed. Where the taxpayer conducts lengthy negotiations with a group of business associates and that evening the group goes to a night club, theater, or sporting event for relaxation, such entertainment expenses are regarded as directly related to the active conduct of business. Moreover, if a group of business associates with whom the taxpayer is conducting business meetings comes from out of town to the taxpayer's place of business to hold substantial business discussions, the entertainment of such business guests prior to the business discussions also is directly related to the conduct of the business. Similarly, if in between business meetings at a convention the taxpayer entertains his business associates attending such meetings, such expenses will be allowable.

Although your committee's bill permits entertainment expenses to continue to be deducted where a business purpose is shown, deduction will be limited to the portion of the expense which is directly related to or associated with business.

Objective standards will be employed to determine the apportionment between the part of the expense which meets either of these tests and the part which does not. Expenses not so related may not be deducted. Under this rule, if a taxpayer entertains a group of 10 individuals, 3 of whom are business prospects and 7 of whom are social guests, deduction will be allowed under the bill only for three-tenths of expenses incurred. Since the taxpayer's motive is not relevant to this determination, it would make no difference that the taxpayer in the above example would not have done the entertaining but for the attendance of the three business-related guests. This rule would disallow deductions for expenses in the following cases which, under existing law, are fully deductible:

A. Officer-shareholder and wife accompanied customer and wife to Las Vegas for 12-day vacation. Taxpayer paid the expenses for the four individuals. Officer-shareholder asserted that he would not have made the trip except for business purposes and that his wife's presence was required by the customer and his wife.

B. Officer-shareholder and his wife traveled to Alaska with customer and wife. Expense of wife was allowed based on representation that customer would not go without his wife and his wife would not go without such shareholder's wife.

C. Expenses for tractor demonstration attended by corporate taxpayer's principal officer-shareholder and his wife. A purported business reason for the wife's travel was established based on allowance of expenses for similar travel in the past.

In example A, no deduction would be allowed under your committee's bill because a vacation trip for a customer and his wife is not "directly related to the active conduct of the taxpayer's trade or business." In example B, deduction would be disallowed for expenses attributable to the taxpayer's wife and the customer's wife. In example C, no deduction would be allowed for expenses attributable to the taxpayer's wife.

D. Customers and their wives are entertained by taxpayer at derby parties such as breakfasts and luncheons, etc.; by furnishing box seats and tickets for the Kentucky Derby; and entertainment at the derby.

Under existing law, the entire amount expended was claimed as a deduction and was allowed. Under your committee's amendment, no deduction is permitted for expenses attributable to customers' wives because their connection with the taxpayer's trade or business is remote.

No deduction will be allowable under this provision for any "entertainment, amusement, or recreation" expenses which under the circumstances in which they are incurred are lavish or extravagant. This will be so even where a direct business purpose is firmly established. The application of this rule can be demonstrated by the following example:

E. The taxpayer, which is located in the Midwest, asserted that lavish entertainment is essential in obtaining business and it established a Miami Beach residence for this purpose. The two principal officers and their wives are usually present at the residence when entertaining customers. Deductions allowed included depreciation on residence, food, liquor, boat expense and salaries of service employees and entertainment. Disallowance was made for amounts deemed to be personal expense.

Under the bill, no deduction would be allowed for any expenses attributable to the wives of either the principal officers or their customers (present or potential), or for any portion of the expenses incurred in example

E which are lavish or extravagant. (The expenses of maintaining the residence are treated as expenses with respect to a facility discussed in No. 2 below.)

Expenses for entertainment, amusement, and recreation should be identified by the taxpayer on his return and treated under the new rules of this bill. It will not be appropriate to include these expense items in other categories of business deductions, where their character will not be apparent, such as advertising, public relations, cost of goods sold, reimbursed expenses, etc. Failure to substantiate the claimed entertainment expenses by adequate records or other sufficient evidence may result in complete disallowance of the deduction.

2. Disallowance of expenses for entertainment facilities: Your committee's bill (sec. 274(a)) also limits the deduction for expenditures incurred with respect to facilities used for entertaining. As in the case of expenses with respect to activities the new rules of this provision apply only if the expenses with respect to facilities qualify under existing law for deduction of business expenses. Moreover, these new rules establish additional tests which must be satisfied (in addition to the "ordinary and necessary" test of present law) in determining whether any deduction is to be allowed for expenses with respect to facilities. Under the bill, no deduction is to be allowed with respect to expenses relating to facilities unless the taxpayer establishes (1) that the facility was used primarily for the furtherance of his trade or business and (2) that the expenditure was directly related to the active conduct of his trade or business, or that it was associated with the active conduct of his trade or business. In no event can the deduction exceed the portion of the expense which is directly related to (or associated with) the active conduct of the taxpayer's trade or business. Certain exceptions to this rule are provided, however, for expenses not required to meet the new tests. They are discussed in No. 6 below.

The term "facility" includes any item of personal or real property owned or rented by the taxpayer, such as a yacht, hunting lodge, fishing camp, swimming pool, tennis court, bowling alley, automobile, airplane, apartment, hotel suite, home in vacation resort, dining room, and cafeteria. In addition to items commonly regarded as expenses "with respect to a facility," such as expenditures for the maintenance, preservation, or protection of the facility, this provision also relates to depreciation and losses realized on certain sales of entertainment facilities.

Under the bill, if a facility is used more than one-half for business entertaining, so that more than one-half of the entertainment expense with respect to such facility would be deductible as a business expense under present law, that portion would continue to be deductible to the extent it meets the test of being directly related to (or associated with) the active conduct of the taxpayer's trade or business. If less than one-half of such entertainment expense would be deductible under present law, no deduction would be allowed. For example, if the taxpayer acquires a fishing camp which he uses almost exclusively for entertaining business guests, deduction of the expenses of the camp will be disallowed only to the extent that it was used for personal or other nonbusiness purposes. On the other hand, if he uses it almost exclusively for personal purposes, but occasionally takes business guests to the camp, no deduction is to be allowed. A further illustration of this rule is as follows:

A. The taxpayer corporation claims the purpose of maintaining a resort residence is to have a place available for business conferences. The resort residence has facilities for boating, fishing, and entertainment. It was established that the personal convenience, pleasure, and health of the chairman of the board of the taxpayer corporation was the principal reason for maintaining the residence. However, the evidence did indicate that there was some entertainment expense incurred for business purposes and a portion of the expense was therefore allowed.

Under the bill no deduction would be allowed in the foregoing example because the facts established that the primary use of the resort residence was not in furtherance of the taxpayer's trade or business.

Under this provision the facility must actually be used in furtherance of the taxpayer's trade or business; it is not sufficient that the facility is merely available for business use. And where the facility is one which is likely to serve the personal purposes of the taxpayer, it will be presumed that the facility was primarily used by the taxpayer for his personal purposes. To justify a deduction under such circumstances the taxpayer will have to clearly establish that the primary use of the facility was not for his personal purposes but was directly related to or associated with the active conduct of his trade or business. The following example illustrates the operation of this rule:

B. Closely held corporate taxpayer located in Midwest maintains a summer home in Maine. Principal stockholder and wife spend 2½ months each summer at the Maine home and entertain high officials (and wives) of customers.

Under existing law the taxpayer in this case established that the summer home was used partly for business entertainment and was permitted to deduct a portion of the expenses attributable to the summer home. Under the bill, however, because the personal purposes of the principal stockholder are served by use of the corporation's summer home, it will be presumed that his personal purposes were primarily served by such use.

These rules will prevent tax abuses involving the use of luxury facilities for entertainment, amusement, or recreational purposes. Under these rules a taxpayer who lives in a luxurious apartment and who presently deducts a portion of its rent on the ground that the apartment is used for occasional entertaining of business guests (and thus has a business purpose), no longer will be able to deduct any portion of the rent because the principal purpose of the apartment is personal, rather than business. Moreover, a swimming pool constructed at the taxpayer's residence may not be charged off for tax purposes as an ordinary and necessary business expense because such a facility is presumed to be used primarily for personal, family, or living purposes unless the taxpayer can establish by a preponderance of the evidence that it was used principally in connection with his trade or business.

As in the case of activities described above, no deduction will be permitted for lavish or extravagant expenses incurred with respect to facilities. This means that luxurious resort facilities maintained for the purpose of entertaining will no longer be fully deductible. This rule is illustrated as follows:

C. Taxpayer, a domestic manufacturing corporation, owns luxurious facilities on a subtropical island. The principal use of the property is for entertainment of executives and key personnel of customer firms. Fishing cruisers are maintained and air transportation furnished guests. The chairman of the board, who is the controlling stockholder, and other officers and key employees accompanied by their families spent considerable time at the island.

Under existing law the entire amount expended for maintenance of the resort and the airplanes (other than adjustments for amounts considered personal expenses of officers and employees) is deductible. Under the bill no deduction would be allowed for any expense which under the circumstances is either lavish or extravagant. Moreover, no deduction will be allowed with respect to expenses attributable to a member of the customer's (present or potential) family but the family's use of the facility will be considered in determining whether the use of the facility is primarily for personal purposes. In addition, as indicated in the portion of this report describing the deductibility of expenses for entertainment activities, expenses for vacations for customers may not be deducted. Where the expenses with respect to the facility are for "vacations," they will be disallowed under your committee's bill.

Club dues and fees paid to any social, athletic or sporting club or organization are treated by the bill as an expense with respect to a facility used for entertainment and therefore will not be deductible where the primary use of the club facilities is personal. If membership entitles the member's entire family to use the facilities of the club, their use as well as his will be considered in determining whether business use of the club exceeds personal use. Where the primary use of the club facilities is in furtherance of a trade or business the cost of the club dues or fees will be deductible to the extent of the use directly related to (or associated with) the active conduct of business.

Thus, if membership in a club costs $100 per year and the club is used for such clear business purposes three-fourths of the time, $75 will be deductible. As in the case of other facilities, it is the actual use of the club which establishes the deductibility of the club dues, not its availability for use, and not the taxpayer's principal purpose for joining the club. However, this does not mean that out-of-pocket business entertainment expenses incurred at a club will not be deductible where the required relationship between the entertainment and the taxpayer's trade or business is shown to exist. Such expenses will be deductible under the rules applicable to entertainment activities without regard to the tax treatment of club dues.

Club dues for this purpose do not include dues or fees paid for membership in such civic organizations as Kiwanis, Lions Club, Rotary, Civitan, and similar groups because these organizations are not social, athletic or sporting clubs. Similarly, professional associations such as bar associations and medical associations are not considered social, athletic, or sporting clubs. Deductibility of these dues will not be affected by the new rules of this bill, but will continue to be governed by the rules of existing law.

3. Business gifts: Under the bill, deduction for business gifts will be disallowed to the extent that the total gifts during the year exceed $25 with respect to any person. Where gifts are made to the wife of a man who has a business contact with the donor, these gifts are considered as made indirectly to the husband (for purposes of the limitation).

However, your committee has modified the definition of "gift" contained in the House provision so that items of a clear advertising nature which cost $4 or less will not be required to be taken into account in applying the $25 limitation. The purpose of this modification is to assure that businessmen who advertise their products or services by means of gifts of small value, commonly described as specialty advertising, may continue to do so without being burdened with the maintenance of detailed records of the amount of specialty advertising used with respect to each business prospect. This exception which includes such items as pens, desk sets, and plastic bags and cases, will apply only if the donor's name is clearly and permanently imprinted on the article.

Another modification of the definition of "gift" involves items such as signs, display racks, or other promotional material donated to a retailer by a producer or wholesaler for use on the business premises of the retailer. This material, generally referred to as point-

of-purchase advertising, is not a gift; it is simply a form of advertising used right in the store to aid in the marketing process. As in the case of specialty advertising referred to in the preceding paragraph, this exception for point-of-purchase promotional devices used in normal business operations will eliminate the necessity of manufacturers or wholesalers (who donate the promotional material to retailers) maintaining detailed records and accumulating costs of promotional material with respect to each donee.

The third modification of the definition of "gift" excludes items of tangible personal property which have a cost to the taxpayer of $100 or less if the item is awarded to employees by reason of length of service or for safety achievement. It is a common practice of many employers to give such items as pins or watches to employees upon their completion of a specified number of years of satisfactory employment or in recognition of some safety achievement. Your committee felt that gifts for these purposes which serve to strengthen the relationship between business and its employees should not be discouraged by the tax law. This exception will permit the practice to continue under the rules of existing law.

There is the possibility of overlapping application of the entertainment expense and gift provisions in this new section. An item which might be held to be a gift might also be held to be an entertainment expense. For example, tickets to a theater might fall in either category. Since different rules will apply depending upon the category in which the expense item falls, specific regulatory authority is given to the Secretary of the Treasury or his delegate to prescribe, in cases where both provisions would otherwise apply, which provision is to govern. Thus, a "gift" of theater tickets probably would be classified as coming under the entertainment provision, while a book probably would be classified as coming under the gift provision.

4. Allocation of traveling expenses: Your committee has added to the House bill a provision which will require taxpayers to allocate traveling expenses (including meals and lodging) between the portion of a trip which is for a business purpose and the portion which is for pleasure. This new rule will eliminate, in many cases, the "but for" rule of existing law under which a taxpayer is permitted to deduct his entire traveling expenses (even where a substantial portion of the time away from home is for purely personal purposes) if he is able to establish that the primary purpose of the trip was connected with a trade or business. This amendment will eliminate abuses whereby taxpayers often arrange vacations to coincide with a business trip so that they thereby, in effect, obtain a deduction for the vacation travel. However, to insure that this new rule will not impose unreasonable burdens on taxpayers to allocate trips between business and personal purposes where the duration of travel is only for a short period, your committee has provided that the allocation rule is not to apply where the period the taxpayer is away from home does not exceed 1 week, or where the time spent on the personal portion of the trip is less than 25 percent of the entire period the taxpayer is away from home on the trip. Where no allocation is required to be made, deduction of traveling expenses will continue to be governed by the primary purpose test of existing law.

5. Disallowance of expenditures not substantiated: Under the bill, taxpayers will be required to substantiate their entertainment and related expenses, their traveling expenses and gift expenses. The bill provides that the taxpayer must substantiate by adequate records or by other sufficient evidence corroborating his own statement: the amount of such expense or other item; the time and place of the travel, entertainment, amusement, recreation, or use of the facility, or the date and description of the gift; the business purpose of the expense; and the business relationship to the taxpayer of the person entertained, using the facility, or receiving the gift.

This provision is intended to overrule, with respect to such expenses the so-called Cohan rule. In the case of *Cohan* v. *Commissioner*, 39 F. 2d 540 (C.A. 2d, 1930), it was held that where the evidence indicated that a taxpayer had incurred deductible expenses but their exact amount could not be determined, the court must make "as close an approximation as it can" rather than disallow the deduction entirely. Under your committee's bill, the entertainment, etc., expenses in such a case would be disallowed entirely.

The requirement that the taxpayer's statements be corroborated will insure that no deduction is allowed solely on the basis of his own unsupported, self-serving testimony. However, the degree of corroboration required to support a claimed deduction will vary as respects the business relationship and purpose, the time and place, and the amount of the expense. Thus, oral testimony of the taxpayer together with circumstantial evidence available, may be considered "sufficient evidence" for the purpose of establishing the business purpose required under the new provision. However, oral testimony of the taxpayer plus more specific evidence would be required to be "sufficient evidence" as to the amount of an expense.

Generally, the substantiation requirements of the bill contemplate more detailed recordkeeping than is common today in business expenses diaries. However, a clear, contemporaneously kept diary or account book containing information with respect to the date, amount, nature and business purpose of the expense may constitute an adequate record under this provision. Moreover, expenditures merely incidental to entertainment, travel, etc. (such as taxicab fares, tips, and similar payments) will be deductible if they are substantiated by such a diary, account book, or similar record.

The following example illustrates the operation of the requirements of this provision: Taxpayer establishes that he traveled from California to New York on business. He should retain receipts for his transportation and hotel expenses while in New York. However, expenses incidental to that trip such as taxicab fare, tips, business luncheons, etc. could be substantiated by entries in a diary.

Your committee does not intend by this substantiation requirement to deny a taxpayer deductions for entertainment, etc., expenses where he has no records, if it can be shown that the failure to produce substantiating records was due to circumstances beyond his control, such as destruction of his records by fire or flood. In such a case, the taxpayer will be permitted to reconstruct the business entertainment, travel, or gift expenses incurred by him in the taxable year.

Under the bill, the Secretary or his delegate may, by regulation, prescribe certain situations in which the substantiation requirements will not be applied. For example, it may be provided that substantiation will not be required for traveling expenses, where such expenses (including the cost of meals and lodging) do not exceed prescribed minimum amounts. This will be of special benefit to employees whose per diem allowance while traveling is within limits established by the Secretary under this provision. Thus, if regulations are issued under which substantiation will not be required for traveling or entertainment expenses where per diem allowances do not exceed 125 percent of per diem allowed a Government employee in the same locality, it would be sufficient evidence for purposes of the substantiation rule to establish only the amount of the allowance and the fact that the business travel occurred.

6. Exceptions where disallowance provisions will not apply: The bill contains nine exceptions to the general disallowance provision described above under heading 1 or 2. Where an expense falls within one of the enumerated exceptions, the item will continue to be deductible to the same extent as allowed by existing law. However, the new substantiation requirements (discussed under heading 5) will have to be satisfied with respect to any such expense. The exceptions are as follows:

(a) Expenses for food and beverages furnished under circumstances which are of a type generally considered to be conducive to a business discussion. The question as to whether the circumstances are conducive to a business discussion are to be tested by such standards as: First, the surroundings in which the meal or beverage was furnished; second, the taxpayer's trade or business or income-producing activity; and third, the relationship to such trade, business, or activity of the persons to whom the food and beverages were furnished. Under this exception, the general custom of entertaining business guests at meals in restaurants and hotels would not be disallowed if they meet the ordinary and necessary test of existing law. This should leave undisturbed the most significant portion of goodwill entertainment conducted in this country. However, under this exception, it will not be possible to deduct luncheon expenses of a so-called reciprocity luncheon group under which a group of businessmen frequently lunch together and alternate in paying the check (and claiming it as a business expense deduction). This practice is not connected with a trade or business but is a personal or social expenditure which is not deductible under existing law.

(b) Expenses for food and beverages (and facilities used in connection with them) furnished on the business premises of the taxpayer primarily for his employees. This is intended to exclude from the disallowance provision such facilities as a company cafeteria or an executives' dining room. This exception would continue to apply even though guests are occasionally served in the cafeteria or dining room.

(c) Goods, services, and facilities to the extent that the entertainment, amusement, or recreation (or use of the facility) is treated on the taxpayer's return with respect to the recipient of the entertainment as compensation paid to an employee and from which income tax is withheld. For example, if the taxpayer permitted an employee to use a yacht for a vacation and treated the expenses for its use as compensation paid to the employee for purposes of the withholding tax and for purposes of the taxpayer's tax return, maintenance and crew costs attributable to such use would be deductible in full because of this exception. On the other hand, where a yacht was used exclusively for business entertaining the salaries paid to the captain and crew, even though they were treated as compensation and withheld on, would not come within this exception because they are not the recipients of the entertainment. Rather, the deductibility of the salaries would be determined under the general rule of the provision as an expense with respect to an entertainment-type facility.

(d) Expenses paid or incurred by the taxpayer where he pays or incurs the expenses for his employer or a client, customer, etc., and where he is reimbursed by the employer or client, etc. This is designed to prevent the double disallowance of a single expenditure, once to the employee or practitioner, etc., and a second time to the employer or client, etc. This provision will not apply, however, in the case of an employee where the employer treats the amount paid to him as compensation. It also will not

apply in the case of a practitioner, etc., unless he accounts to the client, etc., for the expenses incurred. The accounting must represent sufficient substantiation to meet the tests set out under heading No. 5. Thus, if a lawyer enters into a fee arrangement under which his client agrees to reimburse him for expenses (including entertainment expenses) the exception will not apply unless he accounts to his client sufficiently to enable the client to substantiate the expenses as required by the bill.

(e) Expenses incurred for recreation, social, or similar activities (including facilities) primarily for the benefit of employees. The employees referred to in this case are those, other than officers, shareholders, or highly compensated employees. An individual would be considered a shareholder only if he (taking into account holdings of members of his family) holds an interest in the corporation of 10 percent or more. This category is intended to pertain to the usual employee fringe benefit programs, such as expenses of operating a company swimming pool or baseball diamond, as well as the expenses of the annual company picnic or Christmas office party.

(f) Expenses directly related to business meetings of the taxpayer's employees, stockholders, agents, or directors. While this category will apply to business meetings where some social activities are provided, it is not intended to apply to gatherings which are primarily for social purposes rather than for the transaction of the employer's or company's business.

(g) Expenses directly related and necessary to attendance at a business meeting of an organization, such as a trade association, chamber of commerce, real-estate board, etc., described in section 501(c)(6) of the code.

(h) Expenses for goods, services, and facilities made available to the general public by the taxpayer. This pertains to expenses for the entertainment of the general public by means of television, radio, newspapers, and the like. It also permits deductions for expenses for parks, etc., maintained by companies where the general public may attend. Expenses of distributing samples to the general public would also come within this exception.

(i) Expenses for goods or services (including the use of facilities) which are sold by the taxpayer in a bona fide transaction for an adequate and full consideration in money or money's worth. This exception is designed to insure that a taxpayer who sells entertainment to others will be allowed to deduct expenses of producing that entertainment. Thus salaries paid to employees of nightclubs and amounts paid to performers other than employees will continue to be deductible by the operator. Moreover, since this type of expense is not considered to be "entertainment" the detailed substantiation requirements prescribed in this bill will not apply.

7. Interest, taxes, casualty losses: The restrictions provided by the bill are not to apply with respect to items which are deductible under specific provisions of law which apply both to business and nonbusiness taxpayers. Thus, deduction for interest paid on a loan to acquire an entertainment facility or property taxes paid with respect to it would continue to be allowed as a deduction, whether or not the entertainment facilities meet the tests of the new provision.

8. Treatment of entertainment-type facilities: Under the bill, if deductions with respect to entertainment-type facilities are disallowed, the disallowed portion is to be treated as an asset which is used for personal, living, and family purposes, rather than as an asset used in the trade or business. Under this provision the basis of such an entertainment-type facility will be adjusted for purposes of computing depreciation deductions and determining gain or loss on the sale of such facility in the same manner as other property (for example, a residence) which is regarded as used partly for business and partly for personal purposes. Thus, if a taxpayer has a yacht which is used three-fourths for direct business entertainment purposes, and he ordinarily would be entitled to $1,000 for depreciation with respect to the yacht (if it were used entirely for business), $250 of this amount would be disallowed as a depreciation deduction and would be included as a part of the basis of an asset not used in the taxpayer's business.

9. Meals and lodging while in travel status: The bill, as amended by your committee makes clear that the deduction provided for traveling expenses by section 162(a)(2) of present law is not to include expenses for meals and lodging which are lavish or extravagant under the circumstances.

10. Effective date: The amendments made by this provision are to apply with respect to taxable years ending after December 31, 1962, but only in respect of periods after that date.

COMMITTEE MEETING DURING SENATE SESSION TOMORROW

Mr. SMATHERS. Mr. President, I ask unanimous consent that the Housing Subcommittee of the Committee on Banking and Currency may be authorized to meet during the session of the Senate tomorrow.

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

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, August 28, 1962, he presented to the President of the United States the following enrolled bills:

S. 538. An act to amend section 205 of the Federal Property and Administrative Services Act of 1949 to empower certain officers and employees of the General Services Administration to administer oaths to any person;

S. 981. An act to extend certain authority of the Secretary of the Interior exercised through the Geological Survey of the Department of the Interior, to areas outside the national domain;

S. 1208. An act to amend Public Law 86-506, 86th Congress (74 Stat. 199), approved June 1, 1960;

S. 2008. An act to amend the act of September 16, 1959 (73 Stat. 561, 43 U.S.C. 615a), relating to the construction, operation, and maintenance of the Spokane Valley project;

S. 2399. An act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital, and for other purposes;

S. 2916. An act to change the names of the Edison Home National Historic Site and the Edison Laboratory National Monument, to authorize the acceptance of donations, and for other purposes;

S. 2973. An act to revise the boundaries of Capulin Mountain National Monument, N. Mex., to authorize acquisition of lands therein, and for other purposes;

S. 3112. An act to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes; and

S. 3174. An act to provide for the division of the tribal assets of the Ponca Tribe of Native Americans of Nebraska among the members of the tribe, and for other purposes.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. SMATHERS. Mr. President, under the order previously entered, I move that the Senate adjourn until tomorrow morning at 10 o'clock.

The motion was agreed to; and (at 8 o'clock and 20 minutes p.m.) the Senate adjourned, pursuant to the previous order, until tomorrow, Wednesday, August 29, 1962, at 10 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate August 28, 1962:

UNITED NATIONS

The following-named persons to be representatives of the United States of America to the 17th session of the General Assembly of the United Nations:

Adlai E. Stevenson, of Illinois.
Francis T. P. Plimpton, of New York.

The following-named persons to be representatives of the United States of America to the 17th session of the General Assembly of the United Nations, to serve no longer than December 31, 1962:

Albert A. Gore, U.S. Senator from the State of Tennessee.
Gordon Allott, U.S. Senator from the State of Colorado.
Arthur H. Dean, of New York.

The following-named persons to be alternate representatives of the United States of America to the 17th session of the General Assembly of the United Nations:

Charles W. Yost, of New York.
Philip M. Klutznick, of Illinois.
Jonathan B. Bingham, of New York.

The following-named persons to be alternate representatives of the United States of America to the 17th session of the General Assembly of the United Nations, to serve no longer than December 31, 1962:

Carl T. Rowan, of Minnesota.
Mrs. Marietta P. Tree, of New York.

HOUSE OF REPRESENTATIVES

TUESDAY, AUGUST 28, 1962

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Nehemiah 2: 20: *The God of heaven will prosper us; therefore we His servants will rise and build.*

Eternal and ever-blessed God, as we now assemble for prayer, wilt Thou intensify and deepen our religious life.

May we declare by our character and conduct that we believe in the sanctity of its covenants and commissions, its obligations and promises.

Help us to lay hold of the eternal truth that if we are ever to build a finer social order then its foundation must be spiritual.

Grant that we may approach every hard task with resolution and determination, never just content to do our bit but our very best, with all our strength of mind and heart.

We earnestly beseech Thee that we may enjoy our work in spite of its many difficulties and frustrations.

Inspire us to sincerely believe that if the civilization of our day and generation is not what it ought to be and can be, then we must strive to make it so.

Hear us in the name of the Prince of Peace. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MAKING CONTINUING APPROPRIATIONS FOR THE FISCAL YEAR 1963, AND FOR OTHER PURPOSES

Mr. CANNON. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Joint Resolution 864, making continuing appropriations for the fiscal year 1963, and for other purposes, and that it be considered in the House as in the Committee of the Whole.

The Clerk read the resolution, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the joint resolution of July 31, 1962 (Public Law 87-564), is hereby amended by striking out "August 31, 1962" and inserting in lieu thereof "September 30, 1962".

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

Mr. GROSS. Mr. Speaker, reserving the right to object, this is the third continuing resolution, is it not?

Mr. CANNON. That is correct. We had one for July, and one for August; and this is for September. It is identical with the two preceding resolutions.

We had hoped to complete the work of the session and be through by this time. We trust that we will complete it within the next 30 days and we hope that this is the last continuing resolution it will be necessary to bring before the House.

Mr. GROSS. This means the departments and agencies cannot spend more than was appropriated in last year's appropriation bills, is that correct?

Mr. CANNON. That is true.

Mr. GROSS. Mr. Speaker, I wonder if this would not be a good way to operate for a while; simply adopt extending resolutions and forget about any further appropriations. At least that would hold them to what they spent last year instead of giving them increased appropriations all the time.

Mr. CANNON. This is identical with the two preceding resolutions. In each instance it provides the lowest amount that can be provided to keep the Government running until the regular bills are finally enacted.

Mr. GROSS. Does not the gentleman think this would be a good way to stop the increase in appropriation bills, by extending resolutions from year to year until we get the budget in balance and restore some fiscal sanity to this Government?

Mr. CANNON. We merely defer the day of judgment.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The SPEAKER. The question is on the joint resolution.

The joint resolution was agreed to.

A motion to reconsider was laid on the table.

RESIGNATIONS FROM COMMITTEES

The SPEAKER laid before the House the following resignation from a committee:

AUGUST 28, 1962.

Hon. JOHN W. MCCORMACK,
Speaker of the House,
House of Representatives,

DEAR MR. SPEAKER: I hereby tender my resignation from the Committee on Appropriations.

Sincerely yours,

FRED MARSHALL,
Member of Congress.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

The SPEAKER laid before the House the following resignation from a committee:

Hon. JOHN MCCORMACK,
Speaker of House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: I hereby submit my resignation from the Committee on Education and Labor.

Respectfully yours,

NEAL SMITH.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

ELECTION TO COMMITTEE

Mr. MILLS. Mr. Speaker, I offer a resolution and ask for its immediate consideration.

The Clerk read as follows:

HOUSE RESOLUTION 771

Resolved, That NEAL SMITH, of Iowa, be, and he is hereby, elected a member of the standing Committee of the House of Representatives on Appropriations.

The resolution was agreed to.

A motion to reconsider was laid on the table.

INCREASES IN RATES OF DISABILITY COMPENSATION

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 10743) to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes, with a Senate amendment thereto, and consider the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 4, strike out lines 7, 8, and 9 and insert "July 1962, and payments shall be made accordingly, regardless of the date this Act becomes law."

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE of Texas. Mr. Speaker, I move that the House concur in the Senate amendment to the bill H.R. 10743, with an amendment.

The Clerk read as follows:

Mr. TEAGUE of Texas moves that the House concur in the amendment of the Senate, with an amendment to strike out the language proposed to be inserted by the Senate amendment and insert in lieu thereof the following: "the first calendar month which begins after the date of enactment of this Act, but no payments shall be made by reason of this Act for any period before such effective date. The increased rate of compensation payable to any veteran entitled thereto on such first day shall be further increased, for such month only, in an amount equal to three times the monthly increase provided for such veteran by the amendments made by this Act."

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

A motion to reconsider was laid on the table.

Mr. TEAGUE of Texas. Mr. Speaker, the amendment which I proposed would provide the same results as that sought to be accomplished by the Senate, without the administrative problems inherent in the amendment approved by the other body. I am advised by the Veterans' Administration that the amendment which I have offered would make the proposal much simpler from an administrative standpoint, and at the same time provide, if the bill is enacted into law after September 1, that the rates for practically all persons on the rolls would be the same as if they had received this increase on July 1, 1962. The amendment would preclude the manual examination of as many as 100,000 files on the part of the Veterans' Administration to determine whether or not individual veterans whose disability ratings had been terminated, increased or decreased since July 1, 1962, were eligible for the increase and if so in what amount. I hope this amendment will be acceptable to all concerned, since it is consistent with the action taken in the other body, and that this greatly merited bill may at last be enacted into law.

In order to clarify the situation, the Members should understand that when the Senate passed the compensation bill last Thursday, August 23, an amendment was adopted which made it effective July 1, 1962. Specifically, the amendment struck out lines 7, 8, and 9 on page 4, and inserted the following: "July 1962, and payments shall be made accordingly, regardless of the date this act becomes law."

While all would agree that the bill should be effective from at least July 1, 1962, the question was whether or not this would involve an administrative burden for the Veterans' Administration and delay payment of the increase. I, therefore, addressed a letter to the Administrator of Veterans' Affairs on this subject raising the question of administrative cost and whether or not the amendment as approved by the other body would unduly delay the prompt payment of the increased rates of compensation. I have received a letter from the Administrator, the pertinent portion of which is the concluding paragraph, which reads as follows:

In summary, it would be possible for us to administer the law with a July 1 effective date. However, from an administrative standpoint it would be simpler to have any retroactive feature applicable only to those on the rolls as of the date the law is signed. This would mean a lump-sum payment to

those on the rolls when the law takes effect without making adjustments for changes in status occurring between July 1 and the effective date.

Under unanimous consent, I include as part of my remarks the text of my letter to the Administrator and his reply dated August 28:

AUGUST 27, 1962.

Mr. JOHN S. GLEASON, Jr.,
Administrator of Veterans' Affairs,
Veterans' Administration,
Washington, D.C.

DEAR MR. GLEASON: When H.R. 10743 was considered in the Senate a few days ago, the bill was amended by deleting lines 7, 8, and 9 on page 4 and adding the following: "*July 1962*, and payments shall be made accordingly, regardless of the date this Act becomes law."

It is my understanding that this method of making compensation increases retroactive to the first day of July 1962 will impose a serious administrative burden on Veterans' Administration, particularly in those amended award cases which have been added, removed, raised or lowered since July 1, 1962. Attached is a copy of the proposed amendment to H.R. 10743. This has been coordinated with the Veterans' Administration. It is my understanding that adoption of this amendment would greatly simplify the administration of the July 1 effective date.

If clarification of the effective date, along the lines of the amendment prepared by Veterans' Administration, is made, it will be necessary that the House concur with the Senate amendment, with an amendment and send H.R. 10743 back to the Senate for final approval. Since this is a matter which relates to administrative problems and cost of the Veterans' Administration, will you please furnish a recommendation as to the course of action which, in your opinion, should be followed. I hope this matter can be disposed of Tuesday, August 28. Therefore, I would appreciate receiving a reply by 11 a.m. on that date. Your cooperation will be appreciated.

Sincerely yours,

OLIN E. TEAGUE,
Chairman.

AUGUST 28, 1962.

The Honorable OLIN E. TEAGUE,
Chairman, House Veterans' Affairs Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your inquiry concerning the problems VA would encounter should H.R. 10743 be enacted into law with a July 1 effective date.

The Chief Benefits Director has advised me that since the introduction of legislation for the compensation rate increase, we have been planning to effect the future rate increases through computer processing at Hines, Ill. We developed and tested a plan which would have permitted the increases to be made automatically at Hines, and thereby achieve machine accuracy in the making of these adjustments at a substantial saving in personnel cost. The introduction of the retroactive aspect of the rate increase to July 1, 1962, presents programing and computer processing problems which were not contemplated initially and which will result in added complications. This is occasioned by the fact that new computer instructions would have to be developed to reflect properly the changes made in all accounts after July 1, 1962. On the other hand, a retroactive payment to those on the rolls as of the effective date could be accomplished with little difficulty.

However, even with the July 1 effective date, we could process without difficulty about 95 percent of the accounts. This would mean that the balance, between 60,000 and 100,000, would require manual handling. In these cases the regular monthly increase would take effect promptly, but the retroactive payment would be deferred until the file is reviewed and the correct amount determined. We would anticipate that these retroactive payments could be made by the end of 1962. The additional cost would be in the range of $200,000, although we would not contemplate adding any personnel.

In summary, it would be possible for us to administer the law with a July 1 effective date. However, from an administrative standpoint it would be simpler to have any retroactive feature applicable only to those on the rolls as of the date the law is signed. This would mean a lump-sum payment to those on the rolls when the law takes effect without making adjustments for changes in status occurring between July 1 and the effective date.

Sincerely,

J. S. GLEASON, Jr.,
Administrator.

The substantative—benefit—part of the bill is in exactly the same form as passed by the House originally on April 2, 1962.

This bill provides increases in the rates of service-connected disability compensation to reflect the changes which have occurred in the cost of living since the last compensation increase in 1957 as well as to more adequately compensate the seriously disabled veterans. In other words, it would increase the monthly rates payable to veterans of all wars and peacetime service who have a service-connected disability rated between 10 and 100 percent or who are entitled to receive compensation at one of the higher statutory award rates, which presently run to a maximum of $450 or as much as $600 monthly if the veteran is entitled to the $450 rate, needs regular aid and attendance and is not being cared for in a Veterans' Administration hospital.

The effect of the bill is shown by the table which follows:

Degree and paragraph	Wartime cases	Current wartime rates	Wartime rates, H.R. 10743 as passed House Apr. 2 and Senate Aug. 23, 1962	H.R. 10743, percent increase over current wartime rates	Peacetime cases	Current peacetime rates	Peacetime rates, H.R. 10743 as passed House Apr. 2 and Senate Aug. 23, 1962	H.R. 10743, percent increase over current peacetime rates	Cost of H.R. 10743 as passed House Apr. 2 and Senate Aug. 23, 1962
10(a)	761,000	$19	$20	5.3	53,700	$15	$16	6.7	$9,776,000
20(b)	281,900	36	38	5.6	16,900	29	30	3.4	6,969,000
30(c)	251,700	55	58	5.5	17,500	44	46	4.6	9,481,000
40(d)	153,800	73	77	5.5	7,600	58	62	6.9	7,747,000
50(e)	102,100	100	107	7.0	5,700	80	86	7.5	8,986,000
60(f)	79,500	120	128	6.7	4,600	96	102	6.3	7,963,000
70(g)	40,500	140	149	6.4	2,400	112	119	6.3	4,576,000
80(h)	25,300	160	170	6.3	1,100	128	136	6.3	3,142,000
90(i)	7,400	179	191	6.7	200	143	153	7.0	1,090,000
100(j)	74,700	225	250	11.1	10,400	180	200	11.1	24,906,000
(l)	3,390	309	340	10.0	330	247	272	10.1	1,360,000
(m)	2,370	359	390	8.6	270	287	312	8.7	963,000
(n)	390	401	440	9.7	30	321	352	9.7	194,000
(o)	150	450	525	16.7	60	360	420	16.7	178,000
(p)	2,570	450	525	16.7	210	360	420	16.7	2,464,000
(o)+(r)	4,240	150(+450)	200(+525)	20.8	800	120(+360)	160(+420)	20.8	7,320,000
(s)	3,430	265	290	9.4	500	212	232	9.4	1,149,000
Total	1,794,440				122,300				98,264,000

PARAGRAPH NOTES

(k) Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, rates (a) to (j) increased monthly by $47 additional to basic compensation paid monthly for veteran with these disabilities. (This $47 rate unchanged.)

Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, in addition to requirement for any rates in (l) to (n), rate increased monthly for each loss or loss of use by $47 additional to basic compensation paid monthly for veteran with these disabilities (this $47 rate unchanged.)

(l) Anatomical loss, or loss of use of both hands, or both feet, or 1 hand and 1 foot, or blind both eyes with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, monthly compensation.

(m) Anatomical loss, or loss of use of 2 extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place or has suffered blindness in both eyes having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, monthly compensation.

(n) Anatomical loss of 2 extremities so near shoulder or hip as to prevent use of prosthetic appliance, or suffered anatomical loss of both eyes, monthly compensation.

(o) Suffered disability under conditions which would entitle him to 2 or more rates in (l) to (n), no condition being considered twice, or suffered total deafness in combination with total blindness with 5/200 visual acuity or less, monthly compensation.

(p) In event disabled person's service-incurred disabilities exceed requirements for any of rates prescribed, Administrator, in his discretion, may allow next higher rate, or intermediate rate, but in no event in excess of $450.

(q) Minimum rate for arrested tuberculosis. (This $67 monthly rate is unchanged.)

(r) If entitled to compensation under (o), or the maximum rate under (p), and in need of regular aid and attendance, while not hospitalized at Government expense, additional monthly aid and attendance allowance.

(s) If totally disabled and (1) has additional disability independently rated at 60 percent or more, or, (2) is permanently housebound.

Section 2 of the bill provides that veterans who are receiving the statutory award of $450 and also additional compensation of $150 while not in a hospital, will have their compensation continued until the first day of the second month which begins after they are hospitalized. Inasmuch as it costs the Veterans' Administration approximately $25 a day to hospitalize each patient in a general, medical, and surgical hospital, and more for those veterans who are in the paraplegic class, it is obvious that the payment of this additional compensation, in lieu of furnishing hospital care, is, in effect, a saving to the Government. It seems reasonable to the committee and also good medical practice to permit these badly disabled service-connected cases to report to a hospital whenever they are in need of care without suffering a financial loss. Even at these rather liberal rates, many paralyzed veterans experience difficulty in making ends meet, since some require 24-hour care in their home and must pay out sizable amounts to individuals employed to take care of them.

Section 2 of the bill had its origin in H.R. 3350. This latter bill, as originally introduced, provided that this allowance would be discontinued, first, on admission for hospitalization if at that time the prognosis of his case indicated it was likely he would be hospitalized for 60 days or more; or, second, the first day of the third calendar month following the month of admission in all other cases. This section, as passed, provides that it will only be discontinued from the first day of the second calendar month which begins after the day of his admission. If the veteran leaves the hospital against medical advice and is thereafter readmitted, the allowance during this period of hospitalization shall be discontinued from the date of such readmission for so long as that hospitalization continues. The Paralyzed Veterans Association has been very much interested in this section of the bill. There would be no great cost, administrative or otherwise, as a result of the enactment of this section.

Section 3 of the bill increases the presumptive period for multiple sclerosis from 3 to 7 years.

The first-year cost of the first section of this bill is $98,264,000. No cost estimate is possible on the section liberalizing treatment for veterans receiving additional compensation while they are not in a Veterans' Administration hospital. No estimate of cost can be provided on section 2 or 3, but they are not believed to be large.

The history of service-connected compensation in the 87th Congress is an interesting and lengthy one, and I am glad that it appears now to be nearing an end, for I hope that the other body will be able to readily concur in this amendment which has just been adopted and that the bill may be sent to the White House without further delay. I appreciate the cooperation I have received on this subject from members of the Committee on Veterans' Affairs, Members of the House on both sides of the aisle, Members of the other body, and representatives of the veterans' organizations.

HISTORY OF COMPENSATION LEGISLATION IN 87TH CONGRESS

H.R. 879 was passed by the House on June 5, 1961, under suspension of the rules. There was no opposition to this proposal. The bill was developed through consultations with the President, and the President agreed to recommend a cost-of-living increase in service-connected compensation. The bill as reported by the committee provided a minimum cost-of-living increase to all categories, with increased amounts to the high disability groups. The bill passed on June 5, 1961, by the House had a first-year additional cost of $87,933,144. It provided an overall 9.2-percent average increase, as shown below in the table.

Degree and paragraph	Cases, wartime	Cases, peacetime	Current wartime rate	H.R. 879 as passed House June 5, 1961	Percent of increase, H.R. 879 as passed House, over current rate	Current peacetime rate	H.R. 879 as passed House, peacetime rate	Total costs, H.R. 879 as passed House
10(a)	752,739	47,724	$19	$20	5.3	$15	$16	$9,605,556
20(b)	285,824	14,410	36	38	5.6	29	30	7,032,696
30(c)	271,120	15,985	55	58	5.5	44	46	10,143,960
40(d)	157,989	6,866	73	77	5.5	58	62	7,913,040
50(e)	105,202	4,885	100	106	6.0	80	85	7,867,644
60(f)	82,416	4,090	120	127	5.8	96	102	7,217,424
70(g)	41,203	2,180	140	148	5.7	112	118	4,112,448
80(h)	25,261	1,010	160	169	5.6	128	135	2,813,028
90(i)	7,122	190	179	190	6.1	143	152	960,624
100(j)	74,987	9,626	225	245	8.9	180	196	19,845,072
(l)	2,775	292	309	335	8.4	247	268	939,384
(m)	2,094	295	359	385	7.2	287	308	727,668
(n)	377	16	401	435	8.5	321	348	159,000
(o)	142	45	450	500	11.1	360	400	106,800
(p)	2,194	160						1,393,200
(o)+(r)	3,085	705	150(600)	200(700)	16.7	480	560	4,378,800
(s)	10,600	900	265	285	7.5	212	228	2,716,800
Total								87,933,144

PARAGRAPH NOTES

(k) Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, rates (a) to (j) increased monthly by ($47 additional to basic compensation paid monthly for veteran with these disabilities; this $47 rate unchanged).

Anatomical loss, or loss of use of a creative organ, or 1 foot, or 1 hand, or both buttocks, or blindness of 1 eye, having only light perception, in addition to requirement for any of rates in (l) to (n), rate increased monthly for each loss or loss of use by ($47 additional to basic compensation paid monthly for veteran with these disabilities; this $47 rate unchanged).

(l) Anatomical loss, or loss of use of both hands, or both feet, or 1 hand, and 1 foot, or blind both eyes with 5/200 visual acuity or less, or is permanently bedridden or so helpless as to be in need of regular aid and attendance, monthly compensation.

(m) Anatomical loss, or loss of use of 2 extremities at a level, or with complications, preventing natural elbow or knee action with prosthesis in place or has suffered blindness in both eyes, having only light perception, or has suffered blindness in both eyes, rendering him so helpless as to be in need of regular aid and attendance, monthly compensation.

(n) Anatomical loss of 2 extremities so near shoulder or hip as to prevent the use of prosthetic appliance, or suffered anatomical loss of both eyes, monthly compensation.

(o) Suffered disability under conditions which would entitle him to 2 or more rates in (l) to (n), no condition being considered twice, or suffered total deafness in combination with total blindness with 5/200 visual acuity or less, monthly compensation.

(p) In event disabled person's service-incurred disabilities exceed requirements for any of rates prescribed, Administrator, in his discretion, may allow next higher rate, or intermediate rate, but in no event in excess of $450.

(q) Minimum rate for arrested tuberculosis. (This $67 monthly rate is unchanged.)

(r) If entitled to compensation under (o), or the maximum rate under (p), and in need of regular aid and attendance, while not hospitalized at Government expense, additional monthly aid and attendance allowance.

(s) If totally disabled and (1) has additional disability independently rated at 60 per centum or more, or, (2) is permanently housebound.

On July 17, 1961, it was taken up by the Senate. The Senate Finance Committee held no hearings; however, it did hear statements by the Veterans' Administration and the Bureau of the Budget in a closed door session. After considering the bill briefly, the Senate Finance Committee cut the increases of the House bill for the 10-, 20-, and 30-percent groups in half which effected a savings of approximately $12 million, eliminated the 7-year presumption for multiple sclerosis, added the national service life insurance reopening amendment advocated by the junior Senator from Louisiana, and ordered the bill reported. The cuts in compensation made by the Senate Finance Committee affected 1,300,000 veterans with service-connected disabilities.

On September 1, 1961, the Senate passed H.R. 856, which had been reported on August 9 by the Senate Committee on Finance without hearings. This bill, which is identical to H.R. 11045, passed by the House in the 86th Congress, and which in its original form was supported by the Veterans' Administration, provides for a modified life plan of insurance for World War II veterans who

maintained their insurance on a term basis. In reporting the bill, the Committee on Finance included as an amendment the provisions of H.R. 879, as passed by the House and described above, and also added to it the so-called insurance rider to permit reopening of the national service life insurance program. In the debate in the Senate on September 1, motion was made to remove the "insurance rider" from the bill. This motion failed by a record vote of 50 to 18.

On September 6, 1961, the House passed, under suspension of the rules, S. 2051, which had to do with the War Orphans' Educational Assistance Act and, as an amendment, there was added the provisions of H.R. 879, the compensation increase bill, in the form in which it passed the House originally on June 5.

On September 14, 1961, the Senate passed H.R. 3587 providing outpatient care for Indian war veterans and added as an amendment the provisions of S. 2051 without the provisions of H.R. 879—in other words, without the service-connected compensation increase.

On September 22, 1961, the House concurred in the Senate amendments to H.R. 3587, thus sending it to the White House where it was signed on October 4, 1961, and is now Public Law 87-337. As enacted, it related only to outpatient care for Indian war veterans and provides an extension of time for certain war orphans in the Philippines to initiate courses of training. No compensation matter was included.

The bills H.R. 856 and H.R. 879 are now lying on the Speaker's table. The bill, S. 2051, is on the Vice President's desk and in its present form has the provisions of H.R. 879, as passed by the House.

H.R. 10743 was reported by the Committee on Veterans' Affairs, unanimously, on March 19, 1962, and the rates provided are as shown previously. It was passed by the House on April 2, 1962, by unanimous vote.

On August 3, 1962, the Senate Committee on Finance reported H.R. 10743 without amendment and on August 23, the Senate passed the bill with no change except the amendment previously described.

PAY AND ALLOWANCES OF THE UNIFORMED SERVICES

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 10431) to revise, codify, and enact title 37 of the United States Code, entitled "Pay and Allowances of the Uniformed Services," with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 14, line 11, strike out "him" and insert "the director".

Page 26, line 25, strike out "pay," and insert "pay".

Page 26, line 26, strike out "subsistence," and insert "subsistence".

Page 26, line 27, strike out ", as provided by" and insert "of".

Page 27, line 2, strike out "Commuted rations" and insert "The allowance".

Page 28, in the table in the column entitled "Pay grade" in the entry entitled "E-4 (7 or more years' service" strike out "209" and insert "205".

Page 28, in the table in the column entitled "Pay grade" in the entry entitled "E-4 (less than 7 years' service" strike out "209" and insert "205".

Page 55, line 30, strike out "subsection" and insert "section".

Page 71, line 17, after "1962." insert "Laws enacted after January 9, 1962, that are inconsistent with this Act shall supersede it to the extent of the inconsistency".

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

POSTAL SERVICE

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10432) to amend title 39, United States Code, to codify certain recent public laws relating to the postal service and to improve the Code, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, after the line following line 21, insert:

"SEC. 2A. Subsection (a)(1) of section 2303 is amended by deleting 'section 4167' in item (E) and inserting in lieu thereof 'section 4168'."

Page 11, line 23, after "1962." insert "Laws enacted after January 9, 1962, that are inconsistent with this Act shall supersede it to the extent of the inconsistency."

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

CODIFYING RECENT MILITARY LAWS

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10433) to amend title 10, United States Code, to codify recent military laws, and to improve the Code, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 2, line 14, strike out "months'" and insert "month's".

Page 5, line 6, after "analysis" insert ", relating to the participation of members of the armed forces in international sports,".

Page 5, strike out lines 14 to 24, inclusive, and "1039. Appointment of warrant officer to commissioned grade."

Page 6, line 1, strike out "107" and insert "106".

Page 6, line 24, strike out "108" and insert "107".

Page 6, line 24, strike out "Section" and insert "Sections".

Page 8, strike out lines 5 to 10, inclusive, and insert: "A member of an armed force may not be required to sign a statement relating to the origin, incurrence, or aggravation of a disease or injury that he has. Any such statement against his interests, signed by a member, is invalid."

Page 8, line 16, strike out "109" and insert "108".

Page 9, line 1, strike out "110" and insert "109".

Page 9, line 4, strike out "111" and insert "110".

Page 9, line 14, strike out "kind" and insert "kin".

Page 11, line 7, strike out "affairs" and insert "Affairs".

Page 11, line 12, strike out "112" and insert "111".

Page 12, line 6, strike out "supplied.';" and insert "supplied.'"

Page 12, lines 11 and 12, strike out "the Army, Navy, Marine Corps, or Air Force" and insert "an armed force".

Page 12, in the second line following line 21, strike out "department.'" and insert "department."

Page 13, line 1, strike out "113" and insert "112".

Page 13, line 3, strike out "wherever it appears" and insert "in the catchline and wherever it appears in the text".

Page 15, line 14, strike out "114" and insert "113".

Page 15, lines 17 and 18, strike out "Department of Army, Navy, or Air Force" and insert "armed forces".

Page 16, lines 3, 4, and 5, strike out "of a military department, or a member of the Army, Navy, Marine Corps, or Air Force, as the case may be," and insert ", or a member, of an armed force".

Page 17, line 3, after "States" insert "; international agreements".

Page 17, strike out lines 16 and 17 and insert "employee, or a member, of an armed force."

Page 18, in the second line following line 14 strike out "Department of Army, Navy, or Air Force" and insert "armed forces".

Page 78, in the fifth line following line 14, after "States" insert "; international agreements".

Page 18, line 15, strike out "115" and insert "114".

Page 18, line 20, strike out "116" and insert "115".

Page 19, line 1, strike out "117" and insert "116".

Page 19, line 3, strike out "4023." and insert "4023; and".

Page 19, line 5, strike out "118" and insert "117".

Page 19, line 11, strike out "119" and insert "118".

Page 19, line 15, strike out "120" and insert "119".

Page 19, line 17, strike out "4748." and insert "4748; and".

Page 19, line 19, strike out "121" and insert "120".

Page 19, line 21, strike out "122" and insert "121".

Page 20, line 11, strike out "123" and insert "122".

Page 20, line 15, strike out "124" and insert "123".

Page 21, line 1, strike out "125" and insert "124".

Page 21, line 4, strike out "126" and insert "125".

Page 21, line 21, strike out "127" and insert "126".

Page 21, line 23, strike out "128" and insert "127".

Page 22, line 3, strike out "129" and insert "128".

Page 22, line 7, strike out "130" and insert "129".

Page 22, immediately preceding line 11, insert:

"SEC. 130. Section 674(a) of title 10, United States Code is amended to read as follows:

"'(a) Units and members in the Standby Reserve may be ordered to active duty (other than for training) only as provided in section 672 of this title.'"

Page 22, immediately preceding line 11, insert:

"SEC. 131. Section 2276(b) of title 10, United States Code, is amended to read as follows:

"'(b) Any committee of Congress may inspect audits and reports of inspection made under subsection (a).'"

Page 24, line 22, strike out "committees" and insert "Committees".

Page 25, lines 3 and 4 strike out "Marine Corps, or Air Force" and insert "Air Force, or Marine Corps".

Page 25, line 7, strike out "States;" and insert "States."

Page 25, line 8, strike out "'If" and insert "If".

Page 25, line 14, strike out "40-day" and insert "forty-day".

Page 26, line 1, strike out "Marine Corps," and insert "Air Force,".

Page 26, line 2, strike out "Air Force" and insert "Marine Corps".

Page 26, line 3, strike out "of" where it appears the second time and insert "or".

Page 26, line 15, strike out "that is performed by" and insert "common to".

Page 29, line 16, strike out "ten" and insert "10".

Page 30, line 25, after "Unless" insert "specifically".

Page 31, line 10, strike out "ten" and insert "10".

Page 31, strike out all after line 24 over to and including line 9 on page 32 and insert:

"(b) The Director performs such duties relating to research and engineering as the Secretary of Defense may prescribe, including—

"(1) being the principal adviser to the Secretary on scientific and technical matters;

"(2) supervising all research and engineering activities in the Department of Defense; and

"(3) directing, controlling, assigning, and reassigning research and engineering activities that the Secretary considers need centralized management."

Page 35, line 2, strike out "prescribe.'" and insert "prescribe."

Page 35, after line 2, insert:

"(c) The General Counsel shall receive compensation at the rate prescribed by law for assistant secretaries of executive departments."

Page 36, line 8, strike out "departments.'; and" and insert "departments.'".

Page 37, line 19, after "Defense" insert ", or by or on behalf of personnel of any department or organization,".

Page 39, line 8, strike out "ten" and insert "10".

Page 39, line 23, strike out "working-capital funds" and insert "working capital".

Page 41, line 5, strike out "A purchaser" and insert "The requisitioning agency".

Page 42, line 4, strike out "An annual report" and insert "Reports annually".

Page 44, line 11, strike out "1782(c)" and insert "2392(d)".

Page 44, in the fourth line following line 13, strike out "'2206." and insert "'2206."

Page 44, line 17, strike out "'(a) Subject" and insert "'Subject".

Page 45, line 12, strike out "Defense." and insert "Defense.'"

Page 45, strike out all after line 12 over to and including line 3 on page 46.

Page 49, line 5, strike out "activities'." and insert "activities, headquarters, forces, bases, installations, activities, and functions under the control or supervision of the Secretary of the Navy.'"

Page 53, line 2, strike out "106" and insert "108".

Page 53, line 15, strike out "304" and insert "108".

Page 54, in the first part of the table entitled "A. STATUTES AT LARGE" in the column entitled "Date", strike out "1950" and insert "1951".

Page 54, in the second part of the table entitled "A. STATUTES AT LARGE" strike out

"1958—Feb. 12	85-325	7 (1st par.)	72	13,
Aug. 6	85-599	3 (a), (b), 5(b), 9(a) (less last sentence of § 203 (b) (1)), (b)	72	514-516, 518, 520, 621."

and insert:

"1958—Aug. 6	85-599	3 (a), (b), 5(b), 9(a) (less last sentence of § 203(b)(1))	72	514-516, 518, 521."

Page 54, after the table entitled "A. STATUTES AT LARGE" insert:

"B. SECTION OF TITLE 14, UNITED STATES CODE

"Section 471a."

Page 54, after the table entitled "A. STATUTES AT LARGE" strike out "B. REORGANIZATION PLAN" and insert "C. REORGANIZATION PLAN".

Page 54, in the table entitled "B. REORGANIZATION PLAN" in the column entitled "Section" strike out "(1st sentence)".

Page 54, after the tables, insert:

"Sec. 308. The analysis of chapter 13 of title 14, United States Code, is amended by striking out the following item:

"'471a. Motor vehicles; transportation on permanent change of station.'"

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

CANAL ZONE

Mr. WILLIS. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the bill (H.R. 10931) to revise and codify the general and permanent laws relating to and in force in the Canal Zone and to enact the Canal Zone Code, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 3, line 27, strike out "No" and insert: "A".

Page 25, line 35, after "States" insert "; including but not limited to, positions (a) involving security of property; (b) involving access to defense information not releasable to foreign nationals; or (c) requiring the use of United States citizens to insure continuity and capability of operation and administration of activities in the Canal Zone by the United States Government".

Page 29, line 24, strike out "this Code,".

Page 53, line 16, strike out "admeasures" and insert "admeasurers".

Page 83, line 18, strike out "prsecribed" and insert "prescribed".

Page 90, strike out line 5.

Page 129, line 6, strike out "gift" and insert "gift."

Page 212, line 9, strike out "leasst" and insert "least".

Page 238, line 31, strike out "not" and insert "now".

Page 475, line 21, strike out "applica" and insert "applica-".

Page 517, line 38, strike out "(1)" and insert "(a)".

Page 518, line 13, strike out "(2)" and insert "(b)".

Page 556, line 27, strike out "mean" and insert "means".

Page 614, strike out line 11.

Page 629, line 42, strike out "both" and insert "both."

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

ARMED SERVICES PROCUREMENT ACT OF 1947

Mr. VINSON. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 5532) to amend the Armed Services Procurement Act of 1947, with Senate amendments thereto and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Strike out all after the enacting clause and insert "That title 10 of the United States Code is hereby amended as follows:

"(a) Subsection 2304(a) is amended to read as follows:

"'(a) Purchases of and contracts for property or services covered by this chapter shall be made by formal advertising in all cases in which the use of such method is feasible and practicable under the existing conditions and circumstances. If use of such method is not feasible and practicable, the head of an agency, subject to the requirements for determinations and findings in section 2310, may negotiate such a purchase or contract, if—'.

"(b) Subsection 2304(a)(14) is amended to read as follows:

"'(14) the purchase or contract is for technical or special property that he determines to require a substantial initial investment or an extended period of preparation for manufacture, and for which he determines that formal advertising would be likely to result in additional cost to the Government by reason of duplication of investment or would result in duplication of necessary preparation which would unduly delay the procurement of the property;'.

"(c) Section 2304 is amended by adding a new subsection as follows:

"'(g) In all negotiated procurements in excess of $2,500 in which rates or prices are not fixed by law or regulation and in which time of delivery will permit, proposals shall be solicited from the maximum number of qualified sources consistent with the nature and requirements of the supplies or services to be procured, and written or oral discussions shall be conducted with all responsible offerors who submit proposals within a competitive range, price, and other factors considered: *Provided, however,* That the requirements of this subsection with respect to written or oral discussions need not be applied to procurements in implementation of authorized set-aside programs or to procurements where it can be clearly demonstrated from the existence of adequate competition or accurate prior cost experience with the product, that acceptance of an initial proposal without discussion would result in fair and reasonable prices and where the request

for proposals notifies all offerors of the possibility that award may be made without discussion.'

"(d) The second sentence of subsection 2306(a) is amended by substituting '(f)' for '(e)'.

"(e) Section 2306 is amended by adding a new subsection as follows:

"'(f) A prime contractor or any subcontractor shall be required to submit cost or pricing data under the circumstances listed below, and shall be required to certify that, to the best of his knowledge and belief, the cost or pricing data he submitted was accurate, complete and current—

"'(1) Prior to the award of any negotiated prime contract under this title where the price is expected to exceed $100,000;

"'(2) Prior to the pricing of any contract change or modification for which the price adjustment is expected to exceed $100,000, or such lesser amount as may be prescribed by the head of the agency;

"'(3) Prior to the award of a subcontract at any tier, where the prime contractor and each higher tier subcontractor have been required to furnish such a certificate, if the price of such subcontractor is expected to exceed $100,000; or

"'(4) Prior to the pricing of any contract change or modification to a subcontract covered by (3) above, for which the price adjustment is expected to exceed $100,000, or such lesser amount as may be prescribed by the head of the agency.

"'Any prime contract or change or modification thereto under which such certificate is required shall contain a provision that the price to the Government, including profit or fee, shall be adjusted to exclude any significant sums by which it may be determined by the head of the agency that such price was increased because the contractor or any subcontractor required to furnish such a certificate, furnished cost or pricing data which, as of a date agreed upon between the parties (which date shall be as close to the date of agreement on the negotiated price as is practicable), was inaccurate, incomplete, or noncurrent: *Provided*, That the requirements of this subsection need not be applied to contracts or subcontracts where the price negotiated is based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, prices set by law or regulation or, in exceptional cases where the head of the agency determines that the requirements of this subsection may be waived and states in writing his reasons for such determination.'

"(f) The first sentence of subsection 2310(b) is amended to read as follows:

"'Each determination or decision under clauses (11)-(16) of section 2304(a), section 2306(c), or section 2307(c) of this title and a decision to negotiate contracts under clauses (2), (7), (8), (10), (12), or for property or supplies under clause (11) of section 2304(a), shall be based on a written finding by the person making the determination or decision, which finding shall set out facts and circumstances that (1) are clearly illustrative of the conditions described in clauses (11)-(16) of section 2304(a), (2) clearly indicate why the type of contract selected under section 2306(c) is likely to be less costly than any other type or that it is impracticable to obtain property or services of the kind or quality required except under such a contract, (3) clearly indicate why advance payments under section 2307(c) would be in the public interest, or (4) clearly and convincingly establish with respect to the use of clauses (2), (7), (8), (10), (12), and for property or supplies under clause (11) of section 2304(a), that formal advertising would not have been feasible and practicable.'

"(g) Section 2311 is amended to read as follows:

"'2311. Delegation

"'The head of an agency may delegate, subject to his direction, to any other officer or official of that agency, any power under this chapter except the power to make determinations and decisions under clauses (11)-(16) of section 2304(a) of this title. However, the power to make a determination or decision under section 2304(a)(11) of this title may be delegated to any other officer or official of that agency who is responsible for procurement, and only for contracts requiring the expenditure of not more than $100,000.'

"(h) The amendments made by this Act shall take effect on the first day of the third calendar month which begins after the date of enactment of this Act."

Amend the title so as to read: "An Act to amend chapter 137, of title 10, United States Code, relating to procurement."

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

Mr. VINSON. 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 Georgia?

There was no objection.

Mr. VINSON. Mr. Speaker, on August 23 the Senate passed H.R. 5532 to amend the Armed Services Procurement Act with amendments which I will discuss.

The Committee on Armed Services accepts the Senate amendments.

Mr. Speaker, legislation of this character has passed the House three times, but this is the first time that it has been passed in the Senate.

We debated H.R. 5532 in the House on June 7.

I testified before the Senate Committee on Armed Services on July 19. The gentleman from Louisiana [Mr. HÉBERT] likewise presented his views to that committee.

The gentleman from Louisiana [Mr. HÉBERT] and I are in full accord with the bill as amended.

I would point out to the House what the Senate amendments are. The Senate was reluctant to revoke the Korean National Emergency Proclamation of 1950, upon which authorizations for procurement depended, notably the set-aside programs for small business, labor surplus, and distressed areas.

The House bill, while it revoked and terminated the emergency proclamation, nevertheless preserved and legalized these programs. In my discussion with the Senate Committee on Armed Services, there was some apprehension about the effect of an abrupt termination at this time of the emergency proclamation.

I cannot object that the House bill has been amended in this respect because the purposes of the House in revoking the emergency have long since been served.

We of course want to preserve the set-aside programs as they are administered now. But I would remind the House that the revocation of the emergency as first proposed in 1957 was to require the Department of Defense to conduct its negotiations in accordance with the provisions of the Armed Services Procurement Act of 1947. When this subject was first taken up in 1956, it was found that 94 percent of procurement was by negotiation, and that all of that procurement was done under authority of the emergency proclamation of 1950 without the restrictions and beyond the limitations contained in the Procurement Act to regulate and control negotiated purchasing.

Effective from the close of our hearings in 1957 and almost concurrently with the passage of this provision in our earlier bill in the 85th Congress, the Department of Defense ceased to use the emergency provisions of section 2304(a)(1), and since then conducted its business under the act, excepting of course, for the set-aside program which depend for their legality on this proclamation. The decision of the Senate on this matter, for my part, is a practical one. The purpose of the clause in the House bill is already being accomplished.

The Senate amendment deleting this particular repeal merely continues set-asides as they are now being administered. Since the Department of Defense is observing the law in other respects, we have no urgent reason for insisting on the termination of the Korean national emergency authority, merely for the sake of terminating it.

The other provisions of the bill, which were explained to the House, when the bill was passed on June 7, have been adopted. As the gentleman from Louisiana [Mr. HÉBERT] and I explained to the House, most of these provisions were administrative or directory in nature, imposing certain additional requirements on actions taken when negotiations were conducted. The Senate has adopted all those requirements.

But the Senate, and the gentleman from Louisiana [Mr. HÉBERT] and I heartily agree with them, has broadened the coverage of the House bill on cost contracts.

The bill, as passed by the House, related to what I called on the floor a provision for truth in negotiating on the incentive-bonus contracts.

The Senate not only agreed to that House provision, but in the course of our hearing before the committee, the Senate extended the coverage to requiring a statement certified to be true, by any contractor on all his actual known costs at the time of negotiating any cost-type contract or subcontract. So the bill as amended covers not only the incentive-bonus contract, but all other types of cost contracts and subcontracts which depend upon accurate cost data for determining the profit or the fee to be paid.

The gentleman from Louisiana [Mr. HÉBERT] offered and the House adopted a floor amendment to H.R. 5532 which would have authorized the Comptroller General to review determinations and decisions in negotiated purchases made under the provisions of section 2304(a), subsections 11 through 16. By the provisions of section 2310, these decisions are now final.

I supported the gentleman from Louisiana's [Mr. HÉBERT] amendment here, the House adopted it, and I urged its adoption by the Senate Committee on

Armed Services. But it was not agreed to by the Senate. I would have preferred to see it in the bill as it comes here today. But the Senate committee members expressed concern over the possibility of interference with the executive authority by transferring some of this authority to another branch of the Government. So it was not accepted.

But we have taken giant steps in getting agreement on limitations for negotiated bidding and on the restrictions on cost contracts.

In summary, this bill does four important things:

First, it requires more purchasing by formal advertised bidding;

Second, it requires clearer written justification when certain negotiating authority is used;

Third, it will require and produce more competition on negotiated purchasing; and

Fourth, it will safeguard the Government against inflated cost estimates on negotiated costs contracts.

ADMISSION OF CERTAIN ADOPTED CHILDREN

Mr. WALTER. Mr. Speaker, by direction of the Committee on the Judiciary, I ask unanimous consent to take from the Speaker's table the joint resolution (H.J. Res. 677) relating to the admission of certain adopted children, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the joint resolution.

The Clerk read the Senate amendments, as follows:

Strike out all after the resolving clause and insert "That, in the administration of the Immigration and Nationality Act, the following named aliens may be classified as eligible orphans within the meaning of section 101(b)(1)(F) of the said Act, and a petition may be filed in behalf of each alien named in this Act pursuant to section 205(b) of the Immigration and Nationality Act by the petitioner or petitioners specified in each case subject to all the conditions in that section relating to eligible orphans:

"Anne Kapsalis, formerly Anna Mastoraki; Mr. and Mrs. John E. Kapsales, petitioners.

"Kazimiera Przyborowska; Mr. and Mrs. Anton Hartmann, petitioners.

"Marie Antonina (Gutowicz) Olsenwik; Mr. and Mrs. Joseph Olsenwik, petitioners.

"Kook Nam Whang; Mr. and Mrs. Cornie L. Van Zee, petitioners.

"Wlodzimierz Miska; Mr. and Mrs. Jan K. Miska, petitioners.

"Wanda Miska; Mr. and Mrs. Jan K. Miska, petitioners.

"Ja Han Hong; Mr. and Mrs. Edward A. Ruestow, petitioners.

"Bogumil Getris; Mr. and Mrs. Alex Getris, petitioners.

"Tadeusz Romuald Czyz; Mr. and Mrs. Walter Czyz, petitioners.

"Cynthia Ann Foutris, formerly Cynthia Ann Fili; Mr. and Mrs. James Foutris, petitioners.

"Gaetanina Paola Angelone; Giuseppe Marinucci, petitioner.

"Adele Anna Teresa Angelone; Giuseppe Marinucci, petitioner.

"John Andrew Nichols; Mr. and Mrs. Nick A. Nichols, petitioners.

"Anna Sophia Nichols; Mr. and Mrs. Nick A. Nichols, petitioners.

"Manuel Calvete Pereira; Mr. and Mrs. Richard Roeder, petitioners.

"Urszula Kosior; John Kosior, petitioner.

"Teresita Fernandez; Mr. and Mrs. Felecisimo C. Fernandez, petitioners.

"Apolonio Fernandez; Mr. and Mrs. Felecisimo C. Fernandez, petitioners.

"Franciszek Kopec; Mr. and Mrs. Joseph Kopec, petitioners.

"Wladystaw Kopec; Mr. and Mrs. Joseph Kopec, petitioners.

"Theresa Godino; Mr. and Mrs. Frank Godino, petitioners.

"Vladimir Tsvetanov Trifonov; Mr. and Mrs. Sam Triffin, petitioners.

"Teresa Mikucki; Mr. and Mrs. Jan Mikucki, petitioners.

"Cecylia Orszula Pulit; Mr. and Mrs. Edward C. Pulit, petitioners.

"Krystyna Pietrzycki; Mr. and Mrs. John Pietrzycki, petitioners.

"Ignacy Pietrzycki; Mr and Mrs. Joseph Pietrzycki, petitioners.

"Wojcieh Antoni Drogoszewski; Mr. and Mrs. Antoni Drogoszewski, petitioners.

"Jan Kazimierz Lewandowski; Mr. and Mrs. Chester Lewandowski, petitioners.

"Stanislaw Jozef Scislowski; Joseph Scislowski, petitioner.

"Filomena Darmi, formerly Coccia; Mr. and Mrs. Dominic Darmi, petitioners.

"Despina McCrain, formerly Despina Doxis; Mr. and Mrs. William J. McCrain, petitioners.

"Vassilire McCrain, formerly Vassilire Doxis; Mr. and Mrs. William J. McCrain, petitioners.

"Jean Mary Haynes; Mr. and Mrs. Robert E. Haynes, petitioners.

"Michalina Adela Chudziak; Mr. and Mrs. Michael Chudziak, petitioners.

"Joseph Mikulich; Sebastian F. Mikulich, petitioner.

"Hyun Poot Dol (Paul Adrian Tucek); Mr. and Mrs. Charles Stanford Tucek, petitioners.

"David Gabat Domligan; Mr. and Mrs. Jose Domligan, petitioners.

"Apolonia Rudzinski; Mr. and Mrs. Anton Rudzinski, petitioners.

"Barbara Kolodziejczyk; Mr. and Mrs. Tadeusz Kolodziejczyk, petitioners.

"Augustyna Trzuskot; Mr. and Mrs. Joseph Trzuskot, petitioners.

"Urzsula Barbara Kolodziej; Mr. and Mrs. Joseph Kolodziej, petitioners.

"Sung Ae Kim; Mr. and Mrs. James Mericle, petitioners.

"Anna Carbone Masiello; Mr. and Mrs. Nicola Masiello, petitioners.

"Katsutoshi Fujii; Mr. and Mrs. Carl Stephen, petitioners.

"Rosina Carpanzano; Mr. and Mrs. Michele Gentile, petitioners.

"Jan (Krysztopa) Michniewicz; Mr. and Mrs. Antoni Michniewicz, petitioners.

"Yoshiko (Kuba) Hudson; Mr. and Mrs. Eddie F. Hudson, petitioners.

"Graziella Pasquale; Mr. and Mrs. Anthony Pasquale, petitioners.

"Katherine Ann Pervetich; Mr. and Mrs. Anthony Pervetich, petitioners.

"Carmine Antonio Cambio; Mrs. Gennaro Cambio, petitioner.

"Evangelia Nicholas Giameos; Mr. and Mrs. Nick S. Giameos, petitioners."

Amend the title so as to read: "Joint resolution relating to the admission of certain alien children."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania.

Mr. POFF. Mr. Speaker, reserving the right to object, and I shall not object, may I inquire of the distinguished gentleman from Pennsylvania if this is the resolution designed to facilitate the entry of alien children adopted by U.S. citizens?

Mr. WALTER. Mr. Speaker, House Joint Resolution 677, as passed by the House on April 17, 1962, included 36 beneficiaries, all of whom are alien children adopted by citizens of the United States or coming to the United States for such adoption. The cases included in House Joint Resolution 677 were the subjects of 30 private bills as follows:

H.R. 3478, by Mr. BRADEMAS.
H.R. 5384, by Mr. OSMERS.
H.R. 6465, by Mr. WIDNALL.
H.R. 6507, by Mr. ANDERSEN of Minnesota.
H.R. 6934, by Mr. GALLAGHER.
H.R. 6997, by Mr. PUCINSKI.
H.R. 7163, by Mr. DEROUNIAN.
H.R. 7368, by Mr. KLUCZYNSKI.
H.R. 7552, by Mr. RAY.
H.R. 7778, by Mr. FINNEGAN.
H.R. 7816, by Mr. CLARK.
H.R. 7817, by Mr. CLARK.
H.R. 7845, by Mr. ALGER.
H.R. 8001, by Mr. PILLION.
H.R. 8019, by Mr. CONTE.
H.R. 8054, by Mr. BALDWIN.
H.R. 8091, by Mr. THOMPSON of New Jersey.
H.R. 8192, by Mr. ADDONIZIO.
H.R. 8299, by Mr. ROOSEVELT.
H.R. 8301, by Mr. VANIK.
H.R. 8420, by Mr. HOLLAND.
H.R. 8477, by Mr. BALDWIN.
H.R. 8548, by Mr. FEIGHAN.
H.R. 8575, by Mr. DINGELL.
H.R. 8908, by Mr. KLUCZYNSKI.
H.R. 8909, by Mr. LIBONATI.
H.R. 8972, by Mr. OSTERTAG.
H.R. 9177, by Mr. FINO.
H.R. 9260, by Mr. DONOHUE.
H.R. 9713, by Mr. HOLLAND.

Following the adoption of House Joint Resolution 677 by the House, 14 additional bills were examined by the Committee on the Judiciary and found to fall in the category of the above-cited legislation. The committee has recommended to the Committee on the Judiciary of the Senate that the respective cases be included as an amendment to House Joint Resolution 677 as follows:

H.R. 6603, by Mr. RHODES of Arizona.
H.R. 8703, by Mr. INOUYE.
H.R. 9595, by Mr. KLUCZYNSKI.
H.R. 9601, by Mr. PIKE.
H.R. 9633, by Mr. LESINSKI.
H.R. 9634, by Mr. LESINSKI.
H.R. 9674, by Mr. KING of California.
H.R. 9711, by Mr. FINO.
H.R. 9716, by Mr. YOUNGER.
H.R. 9773, by Mr. DOOLEY.
H.R. 9836, by Mr. ANDERSON of Illinois.
H.R. 9908, by Mr. BRAY.
H.R. 10025, by Mr. DANIELS.
H.R. 10463, by Mr. GUBSER.

The Senate agreed to the amendment and further amended House Joint Resolution 677 by including three cases falling in the same category covered by three bills of the Senate, namely:

S. 2282, by Senator PASTORE.
S. 2375, by Senator BIBLE.
S. 3365, by Senator SCOTT.

Administrative remedy was found in two cases covered by House Joint Resolution 677, as originally passed by the House and the two cases were deleted by the Senate—H.R. 6934, by Mr. GALLAGHER, and H.R. 8477, by Mr. BALDWIN.

Thus, House Joint Resolution 677, as now considered by the House, comprises the beneficiaries of 42 private bills of the House and 3 bills of the Senate.

Mr. POFF. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

TAI JA LIM

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 1388) for the relief of Tai Ja Lim, with a 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:

Strike out all after the enacting clause and insert: "That, in the administration of the Immigration and Nationality Act, Tai Ja Lim may be classified as an eligible orphan within the meaning of section 101(b)(1)(F), and a petition may be filed in behalf of the said Tai Ja Lim by John Yung Rhee, a United States citizen, pursuant to section 205(b) of the Immigration and Nationality Act subject to all the conditions in that section relating to eligible orphans."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

SUBCOMMITTEE NO. 1 OF THE COMMITTEE ON THE JUDICIARY

Mr. WALTER. Mr. Speaker, I ask unanimous consent that Subcommittee No. 1 of the Committee on the Judiciary may sit during general debate on Wednesday, August 29, and on Thursday, August 30.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

MOVEMENT OF GOLD FROM FORT KNOX

Mrs. ST. GEORGE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from New York?

There was no objection.

Mrs. ST. GEORGE. Mr. Speaker, we sometimes have to go far afield to find out things about ourselves. The other day an article was called to my attention from the Daily Telegraph and Morning Post of London, Monday, August 20, 1962, which reads as follows:

£178 MILLION IN GOLD MOVED FROM FORT KNOX

NEW YORK.

Gold bars valued at £178 million—

Which in our money is about $500 million—

have been moved by 33 lorries during the last 3 weeks from the U.S. depository at Fort Knox, Ky., to an undisclosed destination. Police escorted the lorries.

Each lorry carried gold weighing 33,000 pounds. It was one of the most secret and highly planned transport operations carried out in the United States.

A Fort Knox spokesman refused to comment today. But it is believed the movement may be connected with foreign drain on the gold stocks which declined $682 million (£243,575 million) up to July 25, according to the Federal Reserve Board.

LOADED INTO TRAIN

Maj. Russell McDaniel, Kentucky police chief, said his men met the lorries at an Army post and escorted them to Jeffersonville, where Indiana police took over. The gold was loaded into a train for a secret destination.

"The caravan traveled every other day at 50 miles an hour without a stop," he added. "If one lorry had had an accident the gold might have spilled out."

It might be well for some committee of the Congress to investigate this movement of over $500 million in gold.

PROPOSED HONORARY CITIZENSHIP FOR SIR WINSTON CHURCHILL

Mrs. BOLTON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Ohio?

There was no objection.

Mrs. BOLTON. Mr. Speaker, I am introducing today a joint resolution to confer honorary U.S. citizenship upon Sir Winston Churchill. This was first suggested in an article by Miss Kay Halle of Cleveland and Washington which appeared in the Cleveland Plain Dealer of July 23. Miss Halle is a longtime friend of the Churchill family. I applaud her suggestion and very much hope the Congress will follow through by unanimously passing my joint resolution.

Very few individuals in history have made an imprint on their times as Winston Churchill has on the 20th century. The entire world is aware of his leadership, both in his native land and in the struggle of the free world against nazism, fascism, and communism. He is one of the honored few whose names themselves speak for their achievements—as a writer, a historian, an author.

As the son of an American mother and an English father, Winston Churchill, more than any other, truly epitomizes the union between the two great English-speaking peoples. His courage and devotion to the cause of freedom and human dignity have served to challenge and inspire our Nation to victory in war and to achievement in peace. The gift of honorary citizenship of the United States of America is one honor, one token of rare esteem and love which is within this Nation's power to bestow, and which is worthy of Winston Churchill's place in history. Surely there is no more fitting demonstration of the respect and gratitude which we hold for this champion of mankind than the gift of citizenship—the most highly prized possession of every patriotic American.

It is my hope that prompt action will be taken on the joint resolution which I am proposing to bestow this honor on this great man.

CALL OF THE HOUSE

Mr. BROWN. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 205]

Alger	Forrester	Merrow
Andersen, Minn.	Frazier	Morris
Baring	Garland	Morrison
Bass, N.H.	Granahan	Moulder
Blitch	Gray	Norrell
Bolling	Hall	O'Brien, Ill.
Boykin	Harrison, Va.	Pilcher
Brewster	Hébert	Powell
Celler	Henderson	Rivers, Alaska
Curtis, Mass.	Hoffman, Mich.	St. Germain
Davis, Tenn.	Ichord, Mo.	Santangelo
Dawson	Kearns	Saund
Donohue	Kilburn	Scherer
Dooley	Kowalski	Shelley
Ellsworth	McDowell	Spence
Evins	McMillan	Steed
Farbstein	McSween	Thompson, La.
Fogarty	McVey	Weaver
	Macdonald	

The SPEAKER. Three hundred and seventy-five Members have answered to their names, a quorum.

By unanimous consent further proceedings under the call were dispensed with.

PUBLIC WORKS COORDINATION AND ACCELERATION ACT

Mr. DELANEY. Mr. Speaker, by direction of the Committee on Rules I call up the resolution (H. Res. 755) 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. 10113) to establish an Office of Public Works Coordination and Acceleration; to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels; and for other purposes, 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 four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Public Works, the bill shall be read for amendment under the five-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 Public Works now in the bill and such substitute for the purpose of amendment shall be considered under the five-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 instructions. After the passage of the bill H.R. 10113, it shall be in order in the House to take from the Speaker's table the bill S. 2965 and to move to strike out all after the enacting clause of said Senate bill and to insert in lieu thereof the provisions contained in H.R. 10113 as passed by the House.

Mr. DELANEY. Mr. Speaker, I yield 30 minutes of my time to the gentleman from Ohio [Mr. BROWN]; and at this time I yield myself such time as I may consume.

Mr. Speaker, this resolution makes in order the consideration of the bill (H.R. 10113), the public works acceleration bill.

Mr. Speaker, unemployment has been a problem in this country continuously for the past 5 years. At no time during that period has unemployment dropped below 5 percent of the labor force and in 1958 and in 1960 the Nation suffered from recession. Over the past year the economy as a whole has shown gains but not at the rate or to the extent that we would all like to see. We still have 4 million jobless men and women and there is serious concern whether or not the current recovery will bring us all the way back to prosperity. In many communities unemployment is far more severe than the national average creating serious suffering for the people who live there and acting as a drag on the entire economy.

The President has urged the Congress to take favorable action on this public works bill as a vital part of our efforts to revitalize business activity. This bill is designed to combat unemployment through the creation of urgently needed Federal, State, and local public works.

The bill would authorize the appropriation of $900 million of which one-third would be reserved for small towns and rural areas. Let me emphasize that there is no backdoor financing in this bill. These funds could be authorized for Federal construction or for 50 percent matching grants to State and local governments for eligible projects. Federal projects which can be built or accelerated under this bill are limited to those which have been specifically authorized by the Congress. For example, Federal projects could be small watersheds, river and harbor and flood control projects, public buildings, soil conservation, reforestation, and construction in national parks, and so forth.

A wide range of State and local projects could be aided under the bill provided that they meet an essential public need. Schools, however, are not eligible for aid under the bill. Examples of local projects which could receive this system include water and sewer systems, public and private nonprofit hospitals, streets, public buildings, and so forth.

There are three important restrictions imposed by the bill on any project which receives aid. First, the bill requires that it "meet an essential need" thus ruling out any project of a luxury nature. Second, the bill requires that any project to be aided must be one that can be started promptly, so the funds will be put to use quickly to bring prompt relief to the unemployed. Third, the project must be one in which a substantial portion can be constructed within 12 months. This requirement both assures that the aid to the unemployed will be given in the very near future and at the same time it rules out disproportionately large undertakings.

Mr. Speaker, the entire country will benefit from the incomes created by this bill and from the construction materials to be used. However, to assure that the first impact will be in those places which are suffering most seriously from high unemployment, the bill requires that a project must be located in an area designated as eligible under the Area Redevelopment Act or 1 of the 122 places which have suffered from unemployment of 6 percent or more in 9 of the past 12 months. Under the Area Redevelopment Act, 149 large and small industrial labor markets are eligible along with 767 rural counties and 50 Indian reservations. A complete list of eligible areas has been published by the committee in several places—the committee report, a special committee print of the highlights of the bill and in the CONGRESSIONAL RECORD.

Mr. Speaker, the bill as reported by the committee includes a provision which would create a new office, that of Public Works Coordination and Acceleration, designed to serve an informational and advisory function. I am informed that the committee intends to offer an amendment eliminating this provision so I will not go into it now.

Mr. Speaker, this legislation was carefully considered in 2 full weeks of hearings and has been widely discussed since then. I am sure most Members are familiar with the contents of the bill and the need for favorable action. I urge all my colleagues to support this legislation.

Mr. BROWN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker and Members of the House, as my very able colleague on the Rules Committee, the gentleman from New York [Mr. DELANEY], has explained, this resolution makes in order the consideration of H.R. 10113 under an open rule and 4 hours of general debate, with all points of order waived, and with the right to substitute the Senate bill. This is a measure which provides for the appropriation and expenditure, without too many restrictions, of some $900 million in what is termed to be public works acceleration, by the President as he may determine, in his own wisdom, is necessary for the purpose of helping depressed areas, or to be of assistance in areas having 6 percent or more of unemployment for at least 9 out of the last 12 months. In other words, this measure, while broad in its scope, is not entirely general, because there are many sections of our country which could not possibly benefit under it, and could not obtain any assistance for public works projects unless they met the criteria set up in the bill, unless the areas affected were depressed, or unless there were heavy surplus labor areas for a period of at least 9 months.

Mr. Speaker, this bill is an unusual measure, not only granting the President great and broad powers which have never been enjoyed by any President in all history as far as controlling public works and community facilities expenditures are concerned, a bill which bypasses Congress to a great extent and in my opinion would eventually greatly injure, if not completely wreck the long-established procedure of the Congress in handling public works projects whereby, first of all, the Corps of Army Engineers, as you know, must pass upon the feasibility and the cost of a project; the project must be approved by the Bureau of the Budget; it must clear the House Committee on Public Works—the legislative committee—it must be approved by the Secretary of the Army also; it must be approved by the House itself, and it must then be approved by the Senate Public Works Committee and by the Senate, itself. Then, in the last analysis, it must be approved by the President.

Instead, this bill would substitute a new method, to some extent, at least, for that which time has proven so good throughout the entire history of this country. That is the system we now use for the establishment of individual public works authorizations and public works appropriations, cleared by the Congress of the United States. The Congress itself would have little or nothing to say about how the $900 million contained in this bill might be expended.

Mr. Speaker, as justification for this legislation it is claimed we must be ready to meet any sort of a national emergency as far as unemployment is concerned; that we must have these funds available for the use of the President in order to stave off some fearsome depression or recession that someone sees in the future, perhaps.

It might be of interest to note just what antidepression funds are already available, what has already been done by this Congress to help depressed areas in this country, to help these areas where we have unemployment to a greater degree than any of us want, of course, and where a real problem is created by such unemployment; where we already have established funds for community facilities and for public works. Let us look at the record for a moment, if you please, to see what is already available, ready to be used, by the Federal Government to give employment in these areas if such becomes necessary, to meet the difficulties which may arise from a recession or a depression.

Let us see what we have here. On August 14, a little less than 2 weeks ago, the Secretary of Commerce authorized the immediate release to the various States of the Union of some $1,994,104,000 in additional obligational authority under the Federal aid highway program for the fiscal year 1963. That is for this year, if you please. This release of funds was made a year in advance, and is in addition to the regular quarterly release of $948,840,000 for the Federal aid highway construction program which will be made in the year of 1963. Which means what? It means that in the 10

months ahead, there will be pumped into our national economy, between now and June 30 next, an additional $1,994,104,000 on highway construction alone, above that amount already provided for by the Congress.

Let us go further and see what else is available. As of August 20, just about a week ago, the Veterans' Administration had available at its disposal, by act of Congress, if you please—now we are being told we are not meeting our obligations—$450 million for the Veterans' Administration direct loan program. For some strange reason, in the months that have gone by, these funds were held up; the veterans were not able to get the housing loans which Congress had provided for them.

Let us go a little further and see what other moneys we have. By act of this Congress, the Community Facilities Administration—that is, for public facilities—has available now $447,400,000 that can be expended to meet any threat of depression, or to give employment where such may be necessary.

The urban renewal program: We have heard a lot about that. What has Congress done about it? There are still available right now Federal funds for urban renewal in the amount of $1,173 million. Voted by whom? Not by the President, not distributed to him, but voted by the Congress of the United States and available right now in case of need.

The Maritime Administration has available, under the shipbuilding program, $64 million, believe it or not, voted by the Congress. And that means jobs, of course, if the shipbuilding program is pushed along.

The Area Redevelopment Administration—that is for public facilities grants and loans programs—has $66 million available right now, or as of August 20. Voted by whom? By the Congress of the United States.

The Farmers Home Administration has available in its housing program, the loan program which was discussed here yesterday for a short time, the tidy sum of $302 million. Yet we are told in connection with this bill how necessary it is to go out into the rural districts to help unemployment and to meet a sad situation, with all this money available; and who voted it? The Congress of the United States.

I grow just a little sad of hearing the story of how the Chief Executive, I do not care who he may be or to what political party he may belong, that it is the President that must serve the people, that he must be given extraordinary power and authority, more and more power, if you please, to decide what ought to be done with the people's money because the people's lawmakers, their elected Representatives in Congress, have failed to meet their obligations. Of course, the record proves that such charges are not true, and that we do not need this $900 million in funds to be placed upon the shelf to be used as the President may see fit, wherever he may desire under this criteria, at any time he may decide, not needed, not necessary, because the Congress has done its duty, the Congress has provided the huge funds that are now under his control, or the control of those he has appointed to public office who are responsible to him as the Chief Executive. There is $2,502,400,000 already available to use for the very same purposes we are told the $900 million carried in this bill would be used for, and therefore it is not necessary for us to vote for this measure in order to meet these public needs and requirements.

Now, let us stop and reason with each other for a moment. Let us think, if you will. Not a penny of this $900 million has been included in the Federal budget, as have these other sums I have mentioned to you which have already been appropriated and authorized by the Congress. What does that mean? It means if this legislation is enacted into law we will be increasing the deficit in our budget for the year 1963 by another $900 million. This means, of course, that if we have a tax cut, as the President has proposed, we will have a budget deficit in 1963 of anywhere from $8 to $12 billion.

Oh, yes. Under this legislation the President is free to use his own judgment. This new agency to be set up to represent the President, this new bureaucratic official responsible to no one but the President, not elected by the people whose money he spends, can decide whether he wants to spend these funds on some project that is of a national type and character, or whether he wants to spend it in some small village of 300 or 400 population where some local council has decided they would like to have this or that. There is no restriction, no requirement that any of these projects have to be approved by the Congress. They can be spread all over the landscape.

There is one other thing I would like to say. We have heard a great deal about the omnibus public works authorization bill. We have always had one every year. That is the way we have previously operated, that is the way Congress has functioned, since its very inception.

Now, I do not know why, but I will wager that we have none this year. I do not know the reason, but I am satisfied, being this close to adjournment, together with the fact that the Committee on Public Works of the House has not been able to hold hearings to pass upon the many projects submitted to it, there will be no omnibus public works bill this year. Of course, under the provisions of this bill, in most of the counties, areas, and projects in the United States in which many of the Members of Congress are interested can get no benefit whatsoever unless there is a general public works authorization bill enacted into law. It has been said and suggested here, and I believe there is a willingness on the part of some of the sponsors of this measure, that certain amendments be written into the bill to make it more palatable. So I suggest, before you make up your minds, that you want to vote for this measure, you read the rather substantial minority report filed with the bill which I think you will find of interest, and perhaps you may even wish to talk with some of the majority members of the committee who signed the majority report and decide in your own minds as to whether or not this bill should be drastically amended, or whether, as so many of us believe, it should be laid up on the shelf, for consideration at some future date a long, long time from now.

Mr. DELANEY. Mr. Speaker, I yield 10 minutes to the gentleman from Virginia [Mr. SMITH].

Mr. SMITH of Virginia. Mr. Speaker, I rise in opposition to this rule and to the bill which it makes in order for consideration. I think the bill is unnecessary and that it should not be brought up at this time for the reasons which I hope to be able to outline to you as briefly as I can.

As to what the bill does, it provides for authorization of $900 million. And by the way, the other body's similar bill provides for $1.5 billion for emergency public works. We are supposed to be in a great emergency—and the economy of this country is supposed to be tottering on the brink. And that notwithstanding the fact that every indication from financial sources shows that the country's economy is improving and that we are on the uprise. It begins to look as if this Congress before it gets through may talk the country into a depression. Certainly if we have no consideration for financial responsibility, we could well accomplish that result.

This bill sets up a public works coordination and acceleration agency. That is about one-half of the content of the bill. It sets up a new agency to administer this emergency—so-called—program. But the agency is permanent, mind you.

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

Mr. SMITH of Virginia. I yield.

Mr. DELANEY. It is my understanding that the committee will offer an amendment striking out that section.

Mr. SMITH of Virginia. I do not know anything about that, but I would imagine with this piece of legislation the committee would be inclined to sweeten it up all they could in order to get it by; and I think that is a very desirable thing to do, but the balance of the bill relates to so-called public works. By public works is meant a general authorization for any type of public works. I say type, not specific projects as we do when Congress legislates, such as municipal facilities that have been authorized, depressed areas and so forth.

This whole bill is tied to depressed areas and areas that have had unusually high unemployment for a period of 9 months. There are two areas there. Congress will not have anything to do with where this money goes. This really should be called an amendment to the depressed areas bill which we passed in the last Congress. All that would have been required had we wanted to give them another $900 million would have been a simple amendment to that bill, because the whole thing is tied to the authorization in the depressed areas bill.

Let us see what we have made available and what is not available for public works. I will not read the figures in detail, but here is what we have. We

have a backlog of things that have been authorized or appropriated for this year, and also including the unexpended balances $8 billion—$8 billion. That is about twice what the total budget was when I first came to Congress—already available for public works throughout this country. Then you remember the bill we passed here about a week or 10 days ago, specifically the annual appropriation bill for public works in the amount of $4,613,807,900. I will not go into the details of the unexpended balances.

I want to talk a little about the budgetary situation, because it is very important right now, particularly when you are going to be confronted, as most of you will when you come back here with a proposal to reduce taxes next year. This 87th Congress has made two remarkable records. Record No. 1 is that you will this year exceed in your appropriations $100 billion, a record that has never been attained at any time in the history of this country except in time of war. Your budget is going to run over $100 billion. And you have attained another record, you have managed to increase the indebtedness of this country by raising the debt limit to over $300 billion, another record never attained by any other Congress except in time of war. So with a budget of $100 billion and a debt of over $300 billion we are proposing this what might be termed boondoggle in miscellaneous types of public works, to the tune of $900 million.

This budget is something that is pretty hard to get along with and understand because it is a big volume. But there is a striking fact that when it was published the latest completed fiscal year was 1961, and it shows on page 35 of the condensed budget that in 1961 we expended $81 billion, and it also shows that the budget request for 1963 is $99,303 million. Add to that, if you will, the increases that Congress has made in some of the appropriation bills, then add the $900 million that is proposed in this bill in the House and $1½ billion proposed in the Senate, and you have a prospective expenditure of over $100 billion in this fiscal year.

Do you know what that means in terms of percentage? Between the 1961 and 1963 budgets you will have increased the expenditures of this Congress from $81 billion to over $100 billion. That means an increase of 25 percent in your expenditures. That is extraordinary. That is another record that has never been accomplished by any other Congress in time of peace.

A lot of people will say, Well, we have such great war expenditures. They say that is due to the Department of Defense. Well, the gentleman from Texas, Mr. MAHON, who is chairman of the Subcommittee on Appropriations handling the Department of Defense appropriation bill, made a very impressive speech on that subject when he brought that bill up here for consideration. He compared the increases in certain areas between 1956 and the present time.

The SPEAKER pro tempore. The time of the gentleman from Virginia has expired.

Mr. DELANEY. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. SMITH of Virginia. Mr. Speaker, I want to quote what the gentleman from Texas [Mr. MAHON] said. He knows, he has the figures, he obtained them from the proper sources.

During the year 1954 we spent a certain amount for defense and we spent a certain amount for nondefense purposes. During the following years through fiscal year 1961, the last fiscal year to be concluded, defense spending increased by 1 percent. Nondefense spending during this 1954–61 period increased by 65 percent.

If you extend this period through fiscal year 1962, from 1954 through 1962, which will conclude on June 30 of this year, the increase in defense spending over 1954, according to the current budget estimates, is 9 percent and the increase in nondefense spending is 85 percent.

If you project this through fiscal year 1963, which will begin on July 1, 1962, you will find again, according to the budget estimates, that through that period the increase in defense spending will be 12 percent above 1954 and nondefense spending will be 94 percent above nondefense spending in 1954.

In other words, the Government has held, since the Korean war, a rather even level of spending in defense. It has been edging up and down a little, but relatively it has been even, especially prior to about a year ago. But nondefense spending has gone up precipitously so that at the end of the fiscal year 1963 it will be 94 percent, according to the estimates, above 1954.

In other words, domestic expenditures increased by 65 percent or more than double, while defense expenditures increased by only 1 percent.

What is this agency known as the Area Redevelopment?

What sort of public works program is that? I had three or four of their announcements of approved projects that I wanted to tell you about involving projects recently authorized and which will be authorized under this bill.

Now, remember that one of them is related to a project down in some place in Texas where they are going to promote a project for building an inn for tourists, costing $250,000 in order to increase employment in that area. There is one project which provides for making a survey in West Virginia to determine the recreational facilities that could be created by an expenditure of $8 million in public funds.

Permit me to say before my time expires that the old bill for distressed areas provided grants of 30 percent. This bill has a little gimmick in it, it can be found on page 17 of the bill, hidden away down at the bottom of the page, which provides that these grants may be increased to 50 percent of the total. Therefore, the Federal Treasury is going to be saddled with 50 percent of what is to be expended under this new phase of area redevelopment.

Mr. Speaker, I noticed down in my own State that they are going to make a laboratory experiment and have granted some $20,000 to $30,000 to a college to go down on the Eastern Shore of Virginia and take two counties and determine what is the matter with their economy. I think we would all be amazed—I know we would—if we knew just what these projects are and how the taxpayers' money is being expended.

Mr. Speaker, then we have the question of what are we going to do about reducing taxes. Now, if we vote this $900 million, or $1.5 billion in the Senate bill, for this type of indefinite, uncertain, irrelevant, immaterial, and probably totally worthless sort of a program, how are we going to reduce taxes next January? We are going to be called upon to do just that. The President has already notified us that we will be called upon for a general overhaul of the tax system, and everyone knows that these taxes need reducing because our economy is suffering as a result of inordinately high taxation upon our people. How are you going to justify it? Just remember this: I know most of you must have read it. The Gallup Poll within the last 2 weeks submitted to the people a question of whether they wanted to vote a tax reduction without a reduction in domestic expenditures—put the question plumb up to the people—and do you know how they voted? Seventy-three percent of the people who were questioned said they did not want any tax reduction unless it was accompanied by a reduction in domestic expenditures, which would seem to indicate that perhaps they have more commonsense in the country than we have here in the city of Washington.

Mrs. ST. GEORGE. Mr. Speaker, I yield the balance of the time to the gentleman from Kansas [Mr. AVERY].

Mr. AVERY. Mr. Speaker, I want to be associated with the position just stated by the chairman of the Committees on Rules, the gentleman from Virginia [Mr. SMITH], and the position just previously taken by the ranking minority member on the Rules Committee, the gentleman from Ohio [Mr. BROWN].

Mr. Speaker, this bill came out of the Rules Committee by a vote of eight to six, one member being absent. So I think one could conclude offhand that this is a packed proposition and otherwise this measure would have met a very logical and a very quiet rejection in the House Committee on Rules.

First, Mr. Speaker, permit me to say this: I do not think the Republicans are taking the position that the mechanics of the bill or the separate provisions of this bill should be significantly changed. I think the point of disagreement here today is the make-work philosophy that is contained in this bill and whether or not there is justification for considering such a bill under the economic conditions that prevail today. I think this bill should be a little embarassing for my Democratic colleagues. It would seem to me that this is pretty much a testimonial to the failure of the economic philosophy of the New Frontier.

Now, is not that a logical conclusion? The New Frontier has had the policy-making responsibility for 2 years. There were far-reaching and dramatic statements made about getting America moving again during the campaign of 1960. Of course, the country assumed that meant to get it moving forward again. We did not ask for a clarification at that time but it was assumed that that meant to get the country moving forward. After 2 years of experimentation we are back here today playing back, if you please, one of the old records that was

first cut back in the depression days of the New Deal. This is just a PWA bill with a new title that gives it the complexion of the New Frontier.

Was the PWA particularly successful? Did it do for the country all the things was claimed for it? Did it restore prosperity to the country? Did it eliminate unemployment? The answer is very simple: No, it did not. Had it done all those things I think there may have been a record established that would be a precedent for reaching back to restore some of these emergency measures in this year of 1962.

Let us just look at the figures for just a minute. Do you know what the rate of unemployment was when Franklin Delano Roosevelt was inaugurated in 1933? I doubt that anybody has thought about that for a long time. It was 22.8 percent of unemployment. Do you know what it was in 1938 after 6 years of New Deal frustration and just before we embarked on our war economy? It was still 19 percent.

What else did we do in that 6 years' time? We doubled the public debt. It was just about $19 billion when the New Deal arrived on the scene one day in March in 1933 and by 1938 it had just been doubled. It was about $38 billion. And what did we get for it? The impressive figure of reduction of unemployment by a total of 4 percent. It hardly seems to me that that record is impressive enough to justify even serious consideration of this bill here today.

Mr. BENNETT of Michigan. Mr. Speaker, will the gentleman yield?

Mr. AVERY. I yield to the gentleman from Michigan.

Mr. BENNETT of Michigan. In my district in Michigan we have in some areas as many as 25 percent of our working force unemployed.

Mr. AVERY. Today?

Mr. BENNETT of Michigan. As of now. That is as many as were unemployed during the great depression of the thirties.

Mr. AVERY. That is right.

Mr. BENNETT of Michigan. Most of that is due to the free trade policies that Congress has enacted and which have been on the books for the last 15 or 20 years. They put our domestic iron mining industry out of business. That is, their policies did. They put the lumber manufacturing people out of business. They had seriously injured the chemical industry in my district; the charcoal industry, the plywood industry.

Can the gentleman tell me what we are supposed to do in that kind of situation? We are out of business because of laws that Congress passed that permit imports from other countries to come in and ruin us.

Mr. Speaker, I know the gentleman is fair about this. I would like to know if he has an answer to it. I do not know what the answer is unless it is a program such as this. I am not sure that this program is going to help my district. I have no way of knowing. But I do know this. This Congress, just a few weeks ago, passed a bill which admittedly is going to put more industries out of business, and which admittedly is going to put many thousands or maybe even millions of workmen out of their jobs.

What is the answer to that? We are going to do all of these things in the name of our foreign policy and put our own people out of business. Then do you not believe that whether you call it relief or boondoggling or WPA the communities that have been hurt, these businesses that have been closed down, and the people that are out of jobs, should be given consideration?

Mr. AVERY. Of course I do, but I do not think I should be held responsible for the foreign policy or the economic policy or the trade policy of this administration. I would prefer the gentleman to direct that inquiry to those who will speak for the administration when we get into general debate.

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

Mr. AVERY. It is with deep regret I must decline to yield to my good friend from Illinois. I know he would not intend to trespass upon my speech.

Mr. YATES. Of course not.

Mr. AVERY. I might say to the gentleman from Michigan, if he will bear with me, that this will not benefit Michigan, either.

I want to go rapidly to two points. The first one was touched upon by the gentleman from Virginia. That was this. I feel that we are considering this bill this afternoon just as we considered the farm bill a month or two ago. At first, the leadership could not bring the farm bill to the floor because they did not have the votes to pass it. Obviously the farmers did not want it and obviously there was reluctance on the part of Congress to pass it in view of this opposition. When they did get it to the floor, eight or nine amendments were offered by the committee designed to get the bill passed. The Members recall what happened to that bill when a compromise to the bill was proposed on the floor of the House in order to get enough votes to pass it. It went down to defeat.

Here we are today. I have not been officially advised there would be such an amendment, but I did read in the Wall Street Journal this morning that there would be an amendment that would eliminate the coordinator, and then there would further be an amendment that would definitely preclude utilization of funds in this bill for Federal aid to school construction. We were assured in the Rules Committee that there is language in this bill that would prevent it from becoming a vehicle for Federal aid to education, but it did not specifically prohibit it. Again, my only source of information on that is the Wall Street Journal, but it stated without reservation that there would be an amendment so that funds in this bill could not be used to circumvent the will of the House for Federal aid to education.

Mr. DELANEY. If there were anything in here for school construction, if that were the case, I would be opposed to it.

Mr. AVERY. I think the gentleman would agree he can find nothing in the bill that would preclude the use of these funds for school construction.

Mr. DELANEY. There is nothing in the bill that I can find in any way about school construction. It is specifically to the contrary.

Mr. BLATNIK. Mr. Speaker, would the gentleman yield?

Mr. AVERY. I yield to the gentleman from Minnesota, who is the author and certainly the foremost authority on the bill as it came to the Rules Committee.

Mr. BLATNIK. After the attack on the bill——

Mr. AVERY. The gentleman is not rejecting his authorship of it?

Mr. BLATNIK. Not at all; but getting on this aid to education, it never was the attempt to aid education here. It stated it specifically and precisely in the committee report. Because of the legislation from another committee, which we know is due to a legal technicality, there is no question about it. But to satisfy the gentleman from Kansas we shall spell it out in plain language and put it in the bill that it is not to be used for aid to schools.

Mr. AVERY. I thank the gentleman for his clarification of the proposed amendment but I would not want his remarks to be construed as meaning that with the inclusion of that amendment the gentleman from Kansas now addressing the House will vote for the bill, because the gentleman from Kansas has a few other reservations as well.

But I must hasten, because I know my time is just about gone. I want to use the remainder of my time to relate an incident to you. This incident relates purely to politics, but I think it spells out a lesson. I would ask the gentleman from Michigan [Mr. BENNETT] to hear me on this particular incident, because I think it answers his question. The administrator for the public works program for Kansas from the year 1934 to 1938 was a personal friend of mine, a very close friend of mine—obviously a Democrat. He told me this story. As the campaign for the Presidency moved into high gear in 1936 it became apparent to every practical political observer that Franklin Delano Roosevelt was going to be reelected for his second term. It became so very obvious, I assume, to the National Democratic Chairman that it got to be kind of a challenge as to just how far this could go. He first thought of the State of Kansas, because the Republican nominee that year, of course, was the then Governor of Kansas, Alf M. Landon. So this became a special mission or a special objective, if you please, of the National Democratic Chairman to carry Kansas for Franklin Delano Roosevelt in that historic election. He called my friend in Kansas and said "Just what can we do from Washington or from the National Democratic Committee to help us carry Kansas for President Roosevelt?" My friend said "That is going to be kind of tough. Alf Landon has made a good Governor, he is a pretty popular fellow out here, and I do not see how we can do this, but give me 10 days and I will report back." He called back in 10 days to the National

Democratic Chairman and said "I can just find one way that offers a possibility for carrying Kansas for Roosevelt. We have two public works projects that we have been trying to get approved out here since 1934. We have been turned down time after time after time. In my opinion, if we can get a clearance on those two projects right away and get these men to work not later than October 1, we can carry Kansas for Roosevelt." Almost overnight those two projects were approved. The men did go to work even before October 1, and Roosevelt did carry Kansas over Kansas' own native son.

I sort of anticipated the symbol of pleasure in way of applause from my Democratic colleagues. In fact, if you had not responded thusly, you would have spoiled the rest of my speech.

There has been frequent reference made to the possible political intervention, persuasion, and coercion by such a program as contained in the bill. Now, the position of the coordinator is to be stricken from the bill.

The SPEAKER. The time of the gentleman from Kansas has expired.

Mr. DELANEY. Mr. Speaker, the gentleman from Kansas is doing so well, I will be glad to yield him 2 additional minutes.

The SPEAKER. The gentleman from Kansas is recognized.

Mr. AVERY. Mr. Speaker, I will have to ask my good friends on the left side of the aisle not to interrupt any more, as my time is limited.

As I was saying, the position of the coordinator is to be eliminated from the bill. The authority is to be given directly to the President so he can determine which one of the four or five existing Federal agencies that administer the Federal aid programs should designate the areas and the projects that could be eligible recipients under this bill. You are in the majority now. I suppose you want to play games with this. But some day it might be on the other foot. Some day we might be looking the other way, and if I can read signs across the country, that might be sooner than you think. If you want to set a precedent for political boondoggling, go ahead and pass the bill. If you want to consider it on its merits on the questions of economic justification and budget capability, the bill should be defeated here this afternoon.

Mr. DELANEY. Mr. Speaker, I now yield 3 minutes to the gentleman from Mississippi [Mr. COLMER].

Mr. COLMER. Mr. Speaker, I ask unanimous consent to speak out of order.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

Mr. COLMER. Mr. Speaker, on August 23 I introduced House Joint Resolution 859 authorizing the President to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America. Today I have introduced a slightly revised copy of that resolution.

The resolution is as follows:

H.J. RES. 859

Joint resolution authorizing the President of the United States to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America

Whereas Sir Winston Churchill has occupied a prominent world position of leadership, both in his native land and in the struggle of the free world against nazism, fascism, and communism; and

Whereas this great leader also has earned for himself a position of prominence among the literary giants of the English-speaking world as a writer, a historian, and an orator; and

Whereas, being the son of an American mother and an English father, Sir Winston Churchill, more than any other, truly epitomizes the union between the two great English-speaking peoples; and

Whereas it is fitting that the Congress of the United States, on behalf of the grateful American people, expresses its high appreciation of the outstanding contribution this great statesman has made to the cause of freedom; and

Whereas it is also appropriate that this honor be bestowed as a means of furthering our Nation's hopes of an Atlantic union as proposed by the President on the Fourth of July 1962: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President of the United States is hereby authorized and directed to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America.

SEC. 2. The Clerk of the House is instructed to transmit a copy of this joint resolution to Sir Winston Churchill.

Mr. Speaker, one or more similar resolutions have been introduced in the Senate. I can think of no more appropriate manner in which the United States could express its appreciation of this great world figure than by the passage of this resolution, with the resultant proclamation of the President implementing it. I feel very strongly that Mr. Churchill shares that thought. Many of us here remember that momentous day when he addressed a joint session of the Congress. He prefaced his speech with the statement that he was at least half an American citizen because his mother was American born. He took great pride in this fact.

Mr. Speaker, I shall not attempt to gild the lily. Nothing that I can say would add luster to the career of this great man. I can only say that in my thinking, he was unquestionably the greatest actor to appear on the stage of the tragedy of World War II. Who can gainsay that had it not been for this great soldier and statesman, the British Empire would not have fallen prey to Hitler; and the war would have been lost because of the destruction of this base for the movement of American soldiers and munitions of warfare.

Mr. Speaker, the highlight of the life of this humble Member of Congress was the privilege of being the dinner guest of Sir Winston Churchill in 1945, while I had the honor of serving as chairman of the Special Committee on Postwar Economic Policy and Planning. For 3 hours I was the beneficiary of his wisdom and entertainment, and I hope, Mr. Speaker, that I may be pardoned for again pointing out here that this great man was most emphatic in this declaration of a firm policy in dealing with the Russians.

Mr. Speaker, I hope that this resolution will speedily pass both bodies and that this historian, warrior, statesman, and the greatest world leader of his time, may be accorded the status of an honorary citizen of the United States of America.

Mr. DELANEY. Mr. Speaker, I yield the balance of my time to the gentleman from California [Mr. ROOSEVELT].

Mr. ROOSEVELT. Mr. Speaker, my good friend from Kansas, I am sure, will forgive me for being a little political, but I do want to make two points. First, he referred to the packing of the Rules Committee and said that while there was nothing in this bill from the point of view of its structure that should keep it from coming before the House, but that it never would have come before the House if we had not packed the Rules Committee. I hope he does not really mean that, because I am sure the members of the Rules Committee would not like it. This is a fundamental matter and very basic. Certainly the Rules Committee would not want to deny the Members of this House the opportunity to debate this kind of measure. But more important than that, he went on to talk about the New Deal, and that happens to be something I know a little bit about. You see, the facts are that he did not tell you that when the New Deal came into power we had had 12 years of Republican administration. It took a few years to get the ball rolling, to get the country started again. We did it by looking after people with bills like the PWA and the WPA, which saw to it that human beings were taken care of. That is why the Democratic Party kept getting elected year after year after that.

And also, this new administration has come in after 8 years of a Republican administration, and it may take us a couple of years to get the country started again. But let me say the differences between the Republican and the Democratic Parties are being shown right here, for one of the ways to get the country started is to get people back to work, give them the opportunity and the dignity of a job, so that they may have pride in their country as they had pride in the New Deal then.

So I will have to say, while I do not want to be political about this, and I will defend the bill as being sound in every way, I believe in 1936 the State of Kansas did vote Democratic. Perhaps the gentleman might find if he is strong enough in his line of attack on this bill, we might get a few Democrats from Kansas in 1962.

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

Mr. ROOSEVELT. I yield to the gentleman from Kansas.

Mr. AVERY. I thank the gentleman from California for yielding.

First, I would like to ask a question. He said after 12 years of Republican excellent supervision of the country——

Mr. ROOSEVELT. No; I did not say that.

Mr. AVERY. I guess it is only implied from 12 years of Republican administrations. He said it did take a little while to get the country rolling again. When did it get rolling again before World War II? The gentleman heard my figures that unemployment was the same, even lower in 1938 than in 1936. When did the country get rolling?

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

Mr. ROOSEVELT. I yield to the gentleman from Illinois.

Mr. YATES. Will not the gentleman point out to the gentleman from Kansas that when the Republicans took office in 1952 the unemployment rate was 2.9, and when the Republicans left office in 1960 the unemployment rate was 5.6.

Mr. ROOSEVELT. The gentleman has pointed it out very well.

Now, I am going to answer the gentleman's question. If he will look back into history, he will find the unemployment rate went steadily down. He will try to tell me, of course, it had not gone down far enough in the 6 or 8 years he was talking about. Well, came the time when our country was tested as never before, when we had to go to work to defend ourselves against nazism, against totalitarianism, threatening the peace and the survival of the world. Then, only because we had put into effect, with the Democratic administration of those days, the kinds of things that took care of people on the farms the gentleman knows well about, the kinds of things that built public works that needed to be built in our country; and, more important than that, the things that made people believe in their country. So the country was going again by the time World War II came about. We won that war, and would not have won it except for the measures that the New Deal put into effect at that time.

Mr. AVERY. Mr. Speaker, I think this debate this afternoon is stimulating to both sides of the aisle, and I think it carries a message to every citizen taxpayer in the United States.

First, let me address myself to the comment made by my very good friend, the gentleman from Illinois [Mr. YATES]. Of course, the record shows that the rate of unemployment in 1952 was approximately 3 percent. This unemployment prevailed despite the fact that American boys were engaged in a war in Korea that we apparently could not win. In other words, during a quasi-wartime economy in the Truman administration, unemployment was still 3 percent. This wartime economy followed immediately a period of an expanding economy that had been restricted for 5 long years because of a concentrated war effort to win World War II. I think it is an appropriate question to ask the American people: Can we tolerate a 5½-percent unemployment ratio in time of peace, or is any segment of our economy really better off under a wartime emergency with an only slightly lower unemployment ratio?

And there is still another point, Mr. Speaker, that I think the House should consider this afternoon. My friend, the gentleman from California [Mr. ROOSEVELT] said that this bill reflects the differences between the Republican and Democratic Parties, "for one of the ways to get the country started is to get people back to work, give them the opportunity and the dignity of a job, so that they may have pride in their country as they had pride in the New Deal then."

I think this is a most important statement, and I want to agree with it entirely and point out a further distinction. This bill does demonstrate the fundamental difference between the two great parties. The Republican Party believes the best way to get people back to work is to restore the confidence of the business community in order that the free enterprise system may develop to the fullest extent, thereby providing job opportunities for those who are seeking work. The Democratic Party appears to be obsessed with the philosophy that the most expedient way to provide jobs is to further impose restrictions upon the free enterprise system, impose a burdensome tax, and have employment provided by the Federal Government. For the worker, for the taxpayer, and for every citizen, the choice is simple—whether or not his employment will stem from a freedom of choice under the free enterprise system, or whether it should be a job that is artificially designed by the Government for a purpose that is not always productive.

Therefore, Mr. Speaker, I heartily concur that this bill, more dramatically than any other we have had in this session of Congress, demonstrates the difference in the economic philosophy in the two parties.

Mr. DELANEY. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

PERMISSION TO FILE REPORTS

Mr. DELANEY. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file certain privileged reports.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

PUBLIC WORKS COORDINATION AND ACCELERATION ACT

Mr. BLATNIK. 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. 10113), to establish an Office of Public Works Coordination and Acceleration; to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels; and for other purposes.

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. 10113, with Mr. KEOGH in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Minnesota [Mr. BLATNIK] will be recognized for 2 hours, and the gentleman from New Jersey [Mr. AUCHINCLOSS] will be recognized for 2 hours.

The Chair recognizes the gentleman from Minnesota [Mr. BLATNIK].

Mr. BLATNIK. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, the bill before us today, H.R. 10113, is a very clear bill, simple in structure, but important in function. It is also a very easily understood bill. What the bill proposes is essentially this: It authorizes $900 million to do exactly what its title calls for—to accelerate public works projects and programs already authorized by the Congress.

Mr. Chairman, I would like to say just a word or two on the economics of the proposal and why it is necessary to accelerate public works in certain areas.

We are today considering probably the most important piece of legislation to the unemployed men and women of this Nation, debated so far in the 87th Congress. This measure will give every Member of the Congress an opportunity to demonstrate his willingness to take constructive measures to help the unemployed, particularly those in the distressed urban and rural areas throughout the land; areas of our country which for a number of years have been experiencing acute economic distress as a result of technological change, depletion of resources and other factors—over 1,000 pockets of distressed areas bypassed by the general economic recovery following the severe recessions of 1958 and 1960 to 1961. The public works acceleration bill is desperately needed to help relieve some of their economic problems—now.

Why do we need to spend this $900 million at this time for public works in our distressed areas? First of all, this move is in accord with the dictates of the Unemployment Act of 1946 which states that it is the continuing responsibility of the Federal Government to use all practicable means, consistent with other essential considerations of national policy, to promote maximum employment, production and purchasing power; also, it is the declared intent of the Congress, as stated in the Area Redevelopment Act, Public Law 87-27, that it is in the best interests of this Nation to help overcome the problem of persistent unemployment and underemployment that some of our communities have been experiencing for it causes severe hardship to many individuals and their families and is detrimental to the national welfare, and also wastes vital human resources. More importantly, the Area Redevelopment Act states that new employment opportunities should be created by taking measures to redevelop these areas in their own right rather than by merely transferring jobs from one area of the United States to another. I am sure the Members of the Congress will agree that providing work which brings about a long-term benefit to the community

through the construction of much needed community facilities is one of the best ways to achieve this objective. In this way communities in these urban and rural distressed areas would become more attractive, through the improved public facilities, to prospective industries wishing to locate there, as well as providing employment immediately and directly to the unemployed, many of whom have been without creative work for several years.

The necessity for this legislation is as great now as was the need for the Area Redevelopment Act when passed and before. The Area Redevelopment Act is a long-term program of redevelopment, designed to find permanent solutions to economic ills. Money was appropriated for this program less than a year ago, and it is only now beginning to gather momentum. The process of permanent redevelopment, of course, takes time; heavy unemployment remains while this fight against stagnation goes on. Unemployment has been above the 5-percent level continually for the past 5 years and there is nothing in recent statistics of business reports that indicates a rapid return to employment. In fact, the present economic slack threatens to pull the entire economy into another recession unless something is done to spur consumer purchasing power and to stimulate business.

The extent of the unemployment problems in the distressed areas of this Nation can be clearly demonstrated by the following data: These areas have a population of 34.3 million people and a labor force of 13.1 million—of whom more than 1.3 million are unemployed. When rural underemployment is translated into unemployment, this adds 200,000 more to the jobless figure. In other words, these areas have 19 percent of the labor force—but they have more than one-third of the unemployment in the country.

The average unemployment in these redevelopment areas is in excess of 10 percent—twice the national average. In some of these areas—including communities in my district—the joblessness runs as high as 25 to 35 percent of the work force.

The public works acceleration bill is desperately needed to relieve some of the unemployment in these redevelopment areas and in the areas of substantial labor surplus. We as a moral people, both out of compassion and in the interest of our economic vitality, must take constructive measures to combat the stagnation and unemployment in the areas as defined in H.R. 10113. It is clear that the wisest means and most constructive means toward these ends is to construct essentially needed public facilities which help the long-term development of these communities by enhancing their attractiveness at the same time jobs are provided immediately and directly to those unemployed who have suffered for so long. Unlike unemployment compensation and welfare payments, public works are an investment and not a cost. They enhance the capital value of our communities and Nation and provide beneficial services for many years to come.

H.R. 10113, the public works acceleration bill, is designed to make a direct attack on high unemployment and at the same time help to provide a wide range of necessary Federal and local public works.

The Committee on Public Works held 10 days of public hearings in late March and early April and took testimony from 40 witnesses and received statements for the record from a number of others. The committee met in executive session on May 16 and voted to report the amended bill which we are considering today.

The bill as reported would authorize the appropriation of $900 million to accelerate and undertake Federal, State and local public works in redevelopment areas as designated under the Area Redevelopment Act and areas which have had an unemployment rate of at least 6 percent for 9 of the 12 most consecutive months. The fact sheets which you all have before you indicate which areas would qualify for assistance and provide a brief summary of the principal provisions of the bill.

Let me emphasize at this point that all the funds authorized under the bill are for appropriations, and that there is definitely no back-door financing. It was also the judgment of your committee that proposal for standby authority requires more discussion; the bill which we are considering today, therefore, has no standby provisions in it either. The intent to label this measure as a standby program is clearly to distort the truth. The measure is a straight authorization for appropriations to be used immediately for acceleration of existing Federal or Federal-aid programs, and nothing else.

The bill as reported will authorize the appropriation of $900 million to accelerate and initiate construction of Federal, State and local government public works. In order for a Federal project to be eligible, it would have to be one which had been authorized by the Congress in other legislation. Eligible State and local projects would be limited to those for which Federal assistance has already been authorized under other laws. This would include programs such as the Hill-Burton program, the water pollution control program, and the Federal Aviation Agency airport grant-in-aid program. In addition, this bill amends the Community Facilities Act, section 202 of the housing amendments of 1955, to provide for up to 50 percent grants with a cost of construction of projects now eligible for loan assistance under that program. Schools, however, are excluded.

Examples of Federal direct projects which could be accelerated or initiated under this program, having already received authorization from the Congress are those under the jurisdiction of the Corps of Engineers, Forest Service, Soil Conservation Service, or any other Federal agencies authorized to undertake public works projects. There are a great number of useful things that can be accelerated or initiated by the Federal Government, in areas covered by this act.

For example, the Corps of Engineers could accelerate projects which meet the criteria laid down by the bill under a specific authorization provided by the House Committee on Public Works or under the small rivers and harbors authorization which allows construction of projects costing under $400,000 without specific authorization by the House Committee on Public Works. There is a great deal of useful work that could be done by the Forest Service of the Department of Agriculture which would enhance the capital value of our national forests and provide more facilities for our mushrooming tourist population. Visitors are far in excess of what current accommodations are capable of caring for.

The Forest Service has a great deal of reforestation and other work which has to be done which will help provide for the future timber needs of this country. Work of this nature is not only essential to assure that we have adequate supplies of lumber resources, but is also very useful in combating unemployment because of the high ratio of man-hours of work that are provided per every unit of dollar expenditure. In addition to reforestation work, the Forest Service has many forest roads and trails which are in need of repair or which should be constructed, campsites which have to be built or renovated, tree nurseries, as well as other work designed to make our national forests more attractive to our citizens and more productive. Much of the same kind of work could be undertaken by the Park Service of the Department of the Interior. These are just some examples of the kinds of useful public works which could be accelerated or initiated by Federal agencies in the areas eligible under this bill—providing useful, long-term capital improvements and useful employment to the men and women in our distressed areas.

Eligible State and local projects would be limited to those for which Federal assistance has already been authorized under other laws. For example, water and sewer systems, public buildings and hospitals, streets, sidewalks, and other community facilities could be aided by Federal grants covering up to 50 percent of the cost. Schools, again let me emphasize, however, would not be eligible. There is a tremendous backlog of community facilities such as those I have just mentioned throughout the land and particularly in our distressed areas where construction of essential public facilities has not kept the pace with needs because of awaiting public revenue. Since this Nation through the Area Redevelopment Act has committed itself to redevelopment of these distressed areas in their own right, I am sure all will agree the most prudent means for providing work for the unemployed in these areas is through the construction of badly needed public facilities which will make these stagnating communities more attractive, and thereby assist in their long-range development.

The bill contains a number of important restrictions on eligible projects. Luxury projects would be ruled out by the requirement that the facility to be

aided must, in terms of the committee bill, "meet an essential public need." To assure a prompt impact on employment, an eligible project must be one which can be started quickly and on which most of the work can be done within 1 year. Finally, to assure that the grants will produce a net increase in employment, the aid could be given only to projects which would not otherwise be started at present.

One of the special advantages of public works expenditures is the fact that they can be directed to areas of greatest need. While the benefits would be felt throughout the economy, through the purchase of construction materials and the additional incomes and economic stimulus, the committee felt that the direct aid should be channeled to those communities with the most severe unemployment problems. To be eligible under the committee bill the project would have to be located in one of the 149 industrial labor market areas eligible under the Area Redevelopment Act or one of the 767 rural redevelopment areas, or 50 Indian reservations eligible under that act, or one of the 122 communities which have suffered substantial unemployment for most of the past year. A complete list of these eligible areas is included in the committee report.

To assure that rural areas receive their fair share of the assistance under the bill, one-third of the $900 million authorized for appropriation would be reserved for small towns and rural areas.

A second and entirely separate provision of the bill would establish an office of Public Works Coordination and Acceleration. The basic purpose of this office would be to provide to the Congress and the President information concerning public works backlogs, current construction, and planning for future needs. It would serve as an advisory and informational function and would not direct or administer programs, nor would it have jurisdiction over the program operations of any department or agency. This provision is aimed at the long-run need for more orderly and efficient planning to meet our public works needs. Because of some confusion over this provision, the committee has agreed to drop it, and take it up at a later time.

That completes my summary of the bill which is explained in greater detail in the committee report before you. Let me say that the need for this bill is greater now than it was when the committee held its hearings. I again emphasize that there is no standby provision in the bill; all the funds are for appropriation now to meet the immediate problem of economic slack and high unemployment.

Noone claims that this bill will solve the entire problem of unemployment. However, the $900 million would directly create an estimated 150,000 jobs at the construction site and in the factories and mills which produce construction materials, and at least an equal number in other parts of the economy through the multipiler effects of the additional income created as it is spent and respent. This will make an important contribution to employment, while at the same time adding to the Nation's wealth by the construction of needed public works.

In this connection, it is important to keep in mind that the failure to take direct action on unemployment involves a heavy cost. The heaviest cost of all, of course, is borne by the unemployed and their families, but the country as a whole bears the cost of lost production, running into billions of dollars, and all of us bear the higher costs of necessary public expenditures. This year Federal payments for unemployment compensation will total $4 billion and over the past 4 years unemployment compensation has cost over $14 billion. This is a direct measure of the waste which idle manpower involves and a cost which must be met in cash. Obviously, it would be far better to enact a program which could provide useful jobs and useful end products.

Another measure of the cost of unemployment is the impact on the Federal budget. Those of us who are concerned about Federal deficits should unite behind this bill as an effective means of combating Federal red ink. The only reason the Federal Government is operating at a deficit today is because of economic slack. We are all familiar with the fact that the greatest peacetime deficit in our history—$12 billion—came as a result of the 1958 recession. In its analysis, the highly respected Committee on Economic Development estimated that $9 billion of that total was due to reduced Federal receipts as a result of the recession. The rest came from increased unemployment payments and other expenditures which were stepped up to stimulate business activity.

We are directing this acceleration at what are sometimes called the hard core unemployment pockets, those areas where unemployment has been a persistent and chronic problem for quite some time, in spite of the general overall growth and development of the national economy.

Our case is this: That the unemployed in these hard-core pockets have to subsist somehow and are subsisting. But they are now either receiving unemployment compensation or State, county, or local welfare support, or relief. We merely propose to use some of this money which governmental agencies, employers, and our economy as a whole are spending for relief and apply it in order to give men and women in need of jobs—bona fide jobs, to thoroughly and fully justified projects, so that when the money is expended we will have a facility that not only brightens up a given area or community, but offers a service or function to that particular community, as well as enhancing that community's chances for long-term development improving its ability to attract small industries or new businesses. Some Members have tried to say that there are those of us who are trying to point out that the economy is faltering. This is not true. The economy is improving and growing as the facts that have been brought forth indicate. We added $50 billion to our gross national products in the last 18 or 19 months of this present administration. But it is an undeniable fact that there are still over 4 million people, men and women, without work, and over 1 million of these—25 percent of them—have not had employment, or have been unemployed for a period longer than 15 weeks, and many of these for a period of months.

There was a statement made here, I am sure it was not deliberate, in connection with the acute human distress and demoralization of the early thirties when this great country was economically prostrate. I know that my good friend from Kansas—knowing him as I do with the respect and warm personal feeling I have for him—did not mean to treat that situation as lightly as he did. I want to point out to him that there exists today a similar situation in many areas of this great and glorious country of ours. I can take you to my district, for years the largest iron ore producer in the world, which can be reached in 6 hours of flying time, an area that literally has reverted to conditions experienced a quarter of a century ago because the unemployment rate there is as distressful and as acute as that experienced back in 1936 and 1938.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman.

Mr. BENNETT of Michigan. I would like to give my vote in support of this bill. On the other hand, I would like to have some assurance from the distinguished gentleman, who is the author of the bill, concerning the charges that have been made that this would be a political boondoggle and just those areas served by Democratic Members of Congress would be assisted. I happen to represent an area similar to that represented by the gentleman, where the iron ore business is prostrate because of our free trade policies. We are out of business. Twenty-five percent of our people are out of work. Can the gentleman give me any assurance that if this bill passes my district will receive some assistance under it, and in what respect?

Mr. BLATNIK. The gentleman's district will receive assistance—and important assistance. But before I get into that, if the gentleman will permit me, I should like to complete what I have to say on the need and then I shall answer his question whether or not this is a political boondoggle and tell him how it will be of aid to him and his district.

Let us not think for a minute that the need does not exist. Four million is a conservative figure of those who had jobs and are now without employment, in some cases running into months and in other cases into years. The youngsters who have never had any employment are a good example of where a great deal of understatement exists. Eight hundred thousand of them are not able to find jobs. The situation is so hopeless and so futile that most are not even listed as seeking a job. In many of our distressed areas, several hundreds of them, unemployment averages 10 percent, or twice the national average. Unemployment, in my hard-core unemployment pocket runs from a low of 17 percent up to 34 percent; would you believe it? I was present at a meeting 2 weeks ago attended by 900 iron ore miners—300

had been unemployed for over 18 months: practically all of them married men, with 3 or 4 or 5 children, and most of them veterans of the last war, all trying desperately to maintain family and home. Most had exhausted their unemployment compensation and many were on relief. I have not seen as much despair because of this economic futility since I was working back in the thirties. This is a country that is able to help and that should help needy people throughout the world. We authorized $4.5 billion in foreign aid a month or two ago. We are also meeting the challenge by Russia in space technology. But, on the domestic scene we might be overlooking a dictum of cardinal importance—that there is nothing more demoralizing than the situation when a human being with a family around him comes to the conclusion that this society neither wants him nor needs him and cannot use the talents he has to offer.

We want to put some of these unemployed people to work. Instead of using the money to pay for unemployment relief, we would like to build something in which a community can take pride, which provides fine public facilities and public services and that for years to come will add to the welfare of the country.

To answer the question, Can this be a political boondoggle? No. 1, this bill creates no new agency. It creates no new program. This bill merely authorizes money to be given above that which we have already authorized and appropriated to existing programs. The general categories of programs are two: Those that are completely Federal, such as the Corps of Engineers, the Forest Service, Reclamation, and so forth; and those which involve Federal aid to municipalities either in terms of loans or grants for municipal facilities and many other projects.

Where would this money be applied to provide the shot in the arm needed? Precisely in those pockets of unemployment that need it most. The criteria are also clearly spelled out. The money must go through the pipelines and channels of existing programs already authorized by Congress—the responsibility has already been spelled out by an act of Congress, and the criteria are spelled out by the act of Congress. We merely accelerate these programs in the distressed areas.

Why do we do that? No. 1, a community that is well off has a good chance to borrow money and build a public facility. A community that is fairly well off will even take advantage of a 30-percent grant to build a sewage disposal plant. But there are communities needing a disposal plant, eligible for the project, and having 30 percent of the money, but unable to accept it because they cannot raise the 70 percent, since unemployment is too high, and results in a loss of revenue to pay for it. That is why we have increased the grant limitation under this program to 50 percent.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. BENNETT of Michigan. Will there be in the areas the gentleman just mentioned those where municipalities are so distressed that the city commissioners or the board of supervisors of the county are in such financial straits that they cannot raise any matching funds to go ahead with the public works projects? What happens to an area like that? I have some of those areas in my district, and I think the gentleman has some in his, and I am sure there are other areas where municipalities cannot match the Federal funds. They cannot match anything. What does this bill do in that kind of situation?

Mr. BLATNIK. I agree that some communities will have some difficulty in raising their 50 percent, but most will not. I would like to have made it more liberal, but we are right up against the wall. This is a rockbottom minimum grant offer with a clear-cut program under which the criteria for eligibility are clearly spelled out.

Mr. BENNETT of Michigan. The gentlemen said that those projects had been approved. For example, Federal projects had been authorized. Take the U.S. Forest Service, for example. They have a 10-year program for building roads and trails and for tree planting and whatnot. Now, a State or municipality would not be obliged to match money to be spent on that kind of thing.

Mr. BLATNIK. Of course not. That is a Federal program. All this money is a Federal program. A municipality under no present program matches Federal funds for forest roads, reforestation, and trails. Such projects could be accelerated under the provision in the bill providing for acceleration of direct Federal program.

Mr. BENNETT of Michigan. The matching that you are talking about is for a local courthouse or a local public building?

Mr. BLATNIK. It is for everything except schools. For example, hospitals, libraries, a village hall, or a city hall, or a police station could be built. It is also for such work as replacing broken-up sidewalks and streets and for replacement of obsolete water systems and sewer systems and the extension of these systems.

Mr. BENNETT of Michigan. The gentleman can assure us, if this legislation is passed, that these areas such as mine and areas around the country will be assisted under this program to the full extent?

Mr. BLATNIK. They definitely will be, and I say this publicly for the public record. Of course, they have to meet the criteria that are given and clearly spelled out.

One, the areas must be eligible for Area Redevelopment Act assistance—urban or rural. Those areas have been established by an act of Congress. Also eligible are labor surplus areas, which have had 6 percent unemployed for at least 9 out of the past 12 months. This designation has its origin in an act of Congress and is determined under law by the Department of Labor. The administrator, under this bill, cannot flaunt the regulations of existing programs; for example, the Hill-Burton program or the area redevelopment program, or those of other programs.

Besides, these projects must do these four things which are clearly spelled out in the bill.

First, it is not enough just to approve the project in an area where there is unemployment, but that project must be susceptible to initiation or acceleration within a reasonably short period of time so that it can give an economic boost now, when it is needed.

Second, it must meet an essential public need.

Third, a substantial portion of it should be completed in 12 months. That means at least half or more than half so that we do not get into a long-term, large project which might take years and years to complete, perhaps long after the need for this program has passed.

Fourth, it must contribute significantly to the reduction of local unemployment.

The gentleman from Virginia—and, of course, I have great respect for the gentleman—mentioned something about area redevelopment and inns and motels. I am puzzled, because the gentleman knows, since he is far more experienced and learned in matters of legislation, that this is a public-works bill. How can money be loaned or given under a public-works bill for the building of a motel or an inn? I do not know why this completely irrelevant and extraneous example was used on the floor of the House by a very responsible member of one of the most important committees. It is clearly spelled out that these are public works in areas where unemployment is high and where there is an essential need and so forth.

Mr. BENNETT of Michigan. The gentleman mentioned the area redevelopment program.

Mr. BLATNIK. This has nothing to do with the area redevelopment program except that it operates in the same area where there is a need for the construction of public facilities not directly tied to the construction of a plant.

Mr. BENNETT of Michigan. I would like to ask the gentleman this question. The fact is that the Area Redevelopment has been tremendously slow getting these projects underway. I just want to ask the gentleman, if this program is approved, whether we are going to have to go through all of the administrative procedures as they did under the Area Redevelopment Act and the Labor Department and the Department of Health, Education, and Welfare.

Mr. BLATNIK. The key thing in this bill is that it provides millions for employment to put men to work on bona fide projects that provide a useful service and facilities that are badly needed.

This, of course, raises the question: Can we afford it? It brings into question the fiscal responsibility of the Government and our deficit.

If you will look at the committee report, page 21, at the bottom of the page is a list of the unemployment compensation funds spent in the last 10 years, 1952 to 1962, a 10-year period. During the recession of 1957 to 1958, when the Eisenhower administration was in power, the 1958 figure was $4,200 million. In 1959 it was $2,800 million. In 1960 it

was $3 billion-plus, and in 1961 it was $4,300 million, or a total of $14,500 million for unemployment compensation alone in 4 years. You must, of course, add onto that the many additional nonproductive expenditures involved, authorized and appropriated liberal funds for care and relief of dependent children and other like programs; then you must add on the State relief, municipal relief, county relief. One of the six counties in my district spent $12 million for relief alone last year; $1 million a month. Had a program such as envisioned in this bill been in effect there would have been $12 million available to match the Federal grant for public works, and the result would have been the employment of 1,500 to 2,000 men for all of last year. Better than that, we would have had something to show for it—an area made more attractive for people to live in, and more attractive for industry to come to.

In 1957 and 1958 we on our side and you on your side passed an area redevelopment bill, but twice in the 5-year period such bills were vetoed, yet in the 1957–58 fiscal year we ended up with a $12 billion deficit, the largest peacetime deficit in the history of our country.

The money under this program will provide employment and facilities. It will be spent locally. In addition, when a dollar is spent for relief few lasting benefits accrue to the community, but when it is spent on public works and facilities, when something is built, it means additional employment to make concrete, cinder blocks, glass, steel rods, brick, and the money keeps on providing employment in collateral industries. The consumer buys from the businessman, the businessman from the wholesaler, and the wholesaler from the manufacturers. Some of this money may move up to Milwaukee or some other manufacturing city. The benefits will be widespread.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. GROSS. Is there any provision that this vast quantity of material must be manufactured in this country and not imported? Is there anything in the bill to keep the money from being spent for imported iron or steel?

Mr. BLATNIK. Not any more limitations or restrictions than Congress has in the general law.

Mr. SCRANTON. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. SCRANTON. Is it true that in this bill there can be no funds used for any project which does not have a 50-percent contribution by the State or on a local basis?

Mr. BLATNIK. Will you please restate that?

Mr. SCRANTON. Is it true that in this bill there is no provision for funds or for projects unless 50 percent of the funds come from State or local sources?

Mr. BLATNIK. Yes, that is true. The amount of the Federal grant cannot exceed 50 percent. That does not mean it has to be 50 percent, though in most cases it will be. But at least 50 percent will have to be raised from local sources by State aid or in any other manner, except for Federal projects which are 100 percent. Under many programs the grant portion already exceeds 50 percent, and there the community would have less to match.

Very few of the municipalities that really need help cannot take advantage of this because of the 50-percent limitation. That is why the Senate had a 90 percent limitation. The unemployed need help. A little analogy is in order to demonstrate why this bill should be passed even though every single community cannot take advantage of the assistance. If only 8 out of 10 men can be rescued from a fire, is the fact that all cannot be helped grounds for incinerating all 10? Of course not; we can help a great number of communities, and must move ahead to do so, even though a few cannot be helped.

Mr. EDMONDSON. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. I would like to commend the gentleman from making one of the most reasonable and persuasive arguments that I have ever heard, and I would like to add one further bit of information in response to the question addressed by the gentleman from Pennsylvania [Mr. SCRANTON]. I think the chairman in responding to that question responded entirely correctly as to projects that are locally originated, in the case of a sewage control project or a water supply project or something of that type, but I think the bill also carries with it the authority to accelerate certain Federal projects that are congressionally authorized, projects for flood control purposes, for reforestation, and other projects of that type in which you would not have any set formula as to what the local participation would be.

Mr. BLATNIK. That is correct.

Mr. SCRANTON. Mr. Chairman, will the gentleman yield?

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

Mr. SCRANTON. May I say that my understanding is the same as that of the gentleman from Oklahoma. But I would like to find out if there is any limitation in this bill as to the amount of money for Federal projects that would be more than 50 percent paid for by the Federal Government? Are there any limitations?

Mr. EDMONDSON. I am unaware that is set out in the bill. I think it would be limited by the fact that your applications for participation and assistance on the local level are probably going to be voluminous and there probably will be very little that will be available for the strictly Federal-type project.

Mr. SCRANTON. If the gentleman will yield further, this is the very point about which the gentleman from Michigan [Mr. BENNETT] and I and other Congressmen who represent these areas of substantial unemployment are concerned. We are very well aware that most of these areas are unable to afford 50 percent or even less of the necessary funds. What we want to know is what, therefore, is available almost immediately in the way of projects that would help those areas, if they cannot come up with 50 percent or even less in the way of local funds.

Mr. EDMONDSON. If the gentleman from Minnesota [Mr. BLATNIK] will yield further——

Mr. BLATNIK. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. The gentleman is well aware, I am sure, that the communities receiving assistance under the Area Redevelopment Act are able to obtain not only grants, but also where they have financing problems are able to obtain loans for the balances that are needed to finance these projects. So the amount of Federal assistance would include the lending power which is presently in the Housing and Home Finance Agency, supplementing the grant authority which has been conferred upon the Government under this particular piece of legislation.

Mr. SCRANTON. If the gentleman will yield further, this I think is the very point which the gentleman from Michigan [Mr. BENNETT], was trying to make. So far in the establishment of the Area Redevelopment Administration there have been relatively few of such loans and grants made for such areas as the ones to which I refer. These loans and grants are not speedily obtained.

Mr. BLATNIK. Yes; the gentleman is correct. I think I overlooked stating something to the gentleman from Michigan [Mr. BENNETT] during our colloquy. In the area redevelopment program there is a provision for some grants and loans for community facilities. But the restrictions are so tight that a community would only be eligible for this grant or loan, or a combination of both, for a community facility if it can prove it is needed to service a private industrial development—they almost have to have a contract saying if they get money to expand, for instance, a water supply system, they will get an industry there which will employ a certain number of people. It has to be tied to an industry, which we do not do in this case. Therefore, that is why it is a slow process.

Mr. SCRANTON. Will the gentleman yield further?

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

Mr. SCRANTON. Again I repeat my question: Is there any way of ascertaining from the bill what proportion of it might be used for such Federal projects as the gentleman from Oklahoma [Mr. EDMONDSON] refers to? There is no provision identified in the bill which delineates this at all. Perhaps the gentleman is correct in stating that there would be such an overwhelming demand on a 50–50 basis that there would be very few, if any, purely Federal-type projects coming forth. This makes it all the more difficult for the areas that really need these projects. They have not the money for their share, 50 percent or even less.

Mr. BLATNIK. All agencies operating would report what type of projects they could undertake in the case of areas where unemployment is severe—areas of substantial labor surplus and the Area Revelopment areas. As the gentleman knows, some of the larger communities, especially, have better engineering assist-

ance and better engineered programs underway which might tend to use up available money before any rural or smaller communities can get underway. That is why we reserve one-third of the funds for rural areas, so they will not be consumed by larger municipalities which have applied faster, due to better engineering services and better programing services. But it still reserves that amount to be given to these people who do not have the facilities of the larger communities, such as those to which I have earlier referred.

Mr. SCRANTON. If the gentleman will yield further, is the gentleman's opinion similar to that of the gentleman from Oklahoma [Mr. EDMONDSON], that the gentleman believes an overwhelming percentage of this $900 million will be used by local projects on the 50–50 or something more basis and not for the type of Federal projects to which reference has been made?

Mr. BLATNIK. It will be primarily community facilities.

Mr. SCRANTON. This makes it very difficult for the areas that need it most because they do not have this money.

Mr. BLATNIK. Mr. Chairman, experience under the water pollution control program indicates that, if needed, some means for raising the money can be found. Getting back to fiscal responsibility, we are going to spend the money. The only decision we will make here today or tomorrow is whether or not a portion of these moneys will be used to put the unemployed to work—to build something or to construct something. If we want to keep on with the unemployment compensation and relief programs, we can do that too, and continue to have these millions of people sitting at home, when they could be doing constructive work. We could put about 1 million people, at least, to work. This bill, Mr. Chairman, is a forthright bill. There is no back-door spending involved. The criteria are clearly spelled out by us. It needs an appropriation, and a year from now these agencies will all be appearing before the Committee on Appropriations of the House of Representatives and other committees. They will be held accountable. When they are making their budget requests or requests for further programing, they can be asked, "What did you do with the money?" We will then have a full report and a record of performance on this program, good or bad. I think it is going to be good. Where it can be enlarged, it can be so if in our wisdom the circumstances and the economic needs are such that it can be, or it can be streamlined or cut down. But the Congress has complete control of this program.

Mr. Chairman, I say this is a clean bill. It is a conscientious bill; it is a needed and important bill. The communities of the Congress will have control of this program. There will be no boondoggling or slush funds under this bill. If there is, we will surely know about it, and a lot of us on this side as well as the Members on the other side of the aisle will certainly make a big fuss about it. I have every confidence that this bill is going to work.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. Like my colleague from Oklahoma, I want to congratulate the gentleman from Minnesota, the author of this bill and an individual who clearly understands the importance of public works and their value for a program such as is contemplated in H.R. 10113. I do not know of any bill that has been reported out of the Public Works Committee since I have been a member that has been as carefully or as skillfully drawn as this bill. I know the situation is as the gentleman from Minnesota has stated, that it will protect the integrity of the Congress and will place every safeguard in it to see that there is wise and prudent use made in the expenditure of these funds for necessary public works in depressed areas, that will mean so much to the future economy of this country; and also provide the greatly wanted public facilities that have been going begging for these many years since the commencement of hostilities in World War II. I think it is a wholesome proposal and one that we can all join in and support to get this country's unemployed working again. Again, I congratulate the gentleman.

Mr. BLATNIK. Mr. Chairman, I thank my dear friend and able colleague, one of the most respected and best informed men in the whole field of public works. As chairman of the Subcommittee on Public Buildings he knows the problem as it relates to the entire country. I appreciate those comments, coming from one whose judgment I so highly esteem and whom I have always held in the highest regard.

Mr. MACGREGOR. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman.

Mr. MACGREGOR. Mr. Chairman, the gentleman from Minnesota has referred to one of the counties in his district, St. Louis County. Other Members of this body, even though they do not come from the State of Minnesota may be somewhat familiar with the situation in that county and with the serious unemployment problem which the gentleman has mentioned in St. Louis County and other counties in northeastern Minnesota.

In that connection and as an example, perhaps for other parts of the country, I wonder if the gentleman could give us some examples of projects which he feels St. Louis County and other parts of Minnesota's Eighth Congressional District might participate in if this bill should become law. Specifically I should like to ask concerning certain of the communities on the Iron Range in Minnesota, northwest of Duluth. Will the gentleman give us some idea specifically of projects which the chairman believes would be in operation, let us say next year, if this bill should become law?

Mr. BLATNIK. I could run them off from memory, town by town and project by project. I shall give the gentleman a few illustrations. Let us take my home town of Chisholm, which has a population of about 8,000. It needs an entirely new water system, a new source of water. They have been desperately working with some State funds in an effort to try to locate wells, and they have completed that survey. They also need a large extension of their sewer system. In my hometown unemployment averages about 22 to 24 percent.

In Hibbing, Minn., unemployment is about 20 percent plus, or 4 times the national average. Hibbing desperately needs to expand its sewage treatment plant which is quite old. They need to improve their water system, and they need virtually a whole new system of gaslines for their municipally owned gas system. They are trying to attract new industry and in order to induce new industry to come there, they have to replace that system.

Another municipality has no jail. The jail was condemned by the State health authorities. I shall not name the town. It is a fine little town, on Minnesota's Iron Range; it could take advantage of this program.

A recent survey by the Iron Range Resources and Rehabilitation Commission showed that 35 communities had projects which could be undertaken. Some communities did not have funds available; but a good number did, and with assistance in financing their portion, a good number more could participate.

Mr. MACGREGOR. How would the municipalities in order to get the 50-percent matching funds for the projects raise that money?

Mr. BLATNIK. In the case of the sewage and water works they could raise it by bonds. They are consulting specialists in that field now. They are also discussing how they can borrow to get community facilities. They can borrow or sell securities for about 20 or 30 percent of their share, leaving 20 to 25 percent. They can raise that amount of money and take advantage of this 50-percent grant.

Mr. MACGREGOR. Would the gentleman agree, as the gentleman from Pennsylvania pointed out, that the very severely depressed areas that have difficulty in raising funds are going to have continuing difficulty if this becomes law in raising the money?

Mr. BLATNIK. This 50 percent is a very arbitrary limitation. But it will assist a great number in need of help. If they qualify in every respect except they cannot raise the other 50 percent, there are a number of ways in which they might be able to raise the money. Again, experience under existing programs indicates that when necessary, most communities can find the means to match the grants—grants are a great stimulus to public works construction.

Mr. MACGREGOR. I thank the gentleman for pointing out that areas that are in need will not benefit under this.

Mr. BLATNIK. The gentleman knows I did not say that; those are his remarks. Many of Minnesota's communities will benefit even though this is a modest bill.

Mr. JENNINGS. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield to the gentleman from Virginia.

Mr. JENNINGS. Why was the 50-percent limitation placed in the bill in this body? Why was it not brought to this body similar to the one in the other body?

Mr. BLATNIK. I point out to the gentleman from Virginia that we were attempting to arrive at a reasonable compromise with our colleagues across the aisle.

Mr. JENNINGS. What the gentleman is saying is that the people who are worried about the 50 percent are the ones responsible for having this bill?

Mr. BLATNIK. Yes. I will be glad to support an amendment raising it.

Mr. JENNINGS. Is there anything under the rule to prevent the gentlemen who are opposed to the 50 percent from offering an amendment to strike that section out and accept the provision placed in the bill by the other body?

Mr. BLATNIK. No.

Mr. JENNINGS. They can put in something that these so-called bleeding hearts passed?

Mr. BLATNIK. The point is very well taken. The philosophy of some of those over there is something like saying you give them help but you would give them nothing.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

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

Mr. VAN ZANDT. Is there any language in the bill that would limit the amount of money that goes to an individual State?

Mr. BLATNIK. Yes, 10 percent.

Mr. VAN ZANDT. Would it be possible to finance the Lake Erie and Ohio Canal with this money?

Mr. BLATNIK. I cannot answer that offhand. What is the amount of the project?

Mr. VAN ZANDT. The amount of the project I do not think has yet been established. There has been a lot of talk about it.

Mr. BLATNIK. If it is a navigation project it would come under the Corps of Engineers. Under existing authority we now have, people can move into a project and get it underway, if it is under $400,000, without specific authorization by the Congress.

Mr. VAN ZANDT. Do I understand the gentleman then to say that it is possible to finance the Lake Erie and Ohio Canal, which is a navigational project, out of the $900 million provided in this bill?

Mr. BLATNIK. It might be possible.

Mr. VAN ZANDT. If the expenditure was under $400,000.

Mr. BLATNIK. That is right.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. BLATNIK. I yield.

Mr. JONES of Alabama. I call the gentleman's attention to the language on page 16 commencing at line 3 and going through line 7, which establishes the time of construction of these small projects that heretofore have been authorized as flood control, river and harbor, or watershed projects? Under the terms of this bill, with reference to these large projects that could not be completed within a short period of time, it is expected that the 12-month limitation would be respected.

Mr. VAN ZANDT. In the event that later the Ohio Canal was authorized by a bill yet to be approved by this House, then, with that authorization, it would be possible to finance the project without having to come back to the Congress and go through the Committee on Appropriations?

Mr. JONES of Alabama. No. You would have to have it authorized by the Congress, and then it would be eligible, but it would have to go through the appropriation process that you have at the present time.

Mr. VAN ZANDT. I thank the gentleman.

Mr. BLATNIK. Mr. Chairman, let me make this point clear. With reference to the Coordinator of Public Works, I, the original author and sponsor for years of that Office, agreed personally to drop the Coordinator of Public Works. I did not do it because I did not believe in the program. In the first place, the Coordinator provision does not do anything more than President Eisenhower did for 8 years when by administrative action he created his own public works advisory group. He had this for 8 years. The present administration is going to do the same and have a Coordinator of Public Works to gather information. Some have referred to it as a new agency. It is not a new agency. Some have talked about some super czar and so on, and because of this confusion it was dropped for the time being to give Members an opportunity to think it over and study it and become better informed. We hope that in some future session—I hope next year—we can make a more effective explanation of what this program will do. This is why we dropped it at this time. We did not drop it to gimmick up any bill, as someone remarked about a farm bill. It is the only amendment and we make a clear explanation of why we want to drop it. There are no apologies for it. A second amendment is not necessary. Some still do not believe the legal language—which is complicated sometimes—but the report explains that this aid does not go to schools. There are those who have some doubts about it, but there is no question in my mind and there is no question in the mind of any member of the committee. It is spelled out clearly in the report, and there is one sentence put in that none of this aid shall go to schools. That was to satisfy those few objectors on that score.

Mr. AUCHINCLOSS. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, it is with a good deal of deference and a certain amount of temerity that I follow the able gentleman from Minnesota who has just spoken. He has this bill at his fingertips. He ought to have it. He wrote it. He is responsible for it. He explained various items in the bill today, which I had not heard before.

Mr. Chairman, I know my colleagues share my concern over the unemployment that exists throughout the Nation and all of us would like to find a real workable solution to the problem. Of course if the business leaders of our great country had confidence in the future there would be no concern about the unemployment problem and we would not be discussing this clumsy and thoroughly political attempt to provide work for the idle. While doubt and uncertainty exist, however, those who employ men and women are naturally cautious and unemployment is bound to exist. This bill, H.R. 10113, however, is not the answer to the problem, because it will not result in the creation of jobs for any substantial number of persons now unemployed who need and want to work. Indeed, the ineffectual remedy it provides may be far worse for the country than the ailment it aims to cure.

There are seven main objectionable features of this bill, which are discussed in detail in the minority views in the committee report signed by 13 members of the Committee on Public Works. I will discuss only one of the objectionable provisions of H.R. 10113, and my colleagues will discuss the other bad features of the bill.

Sections 3 through 8 of the bill establish a new Federal agency, to be named "The Office of Public Works Coordination and Acceleration" and authorizes and directs the performance of its specified function by a Director of that agency. It provides that the Director and Deputy Director are to be appointed by the President, with the advice and consent of the Senate. The Director will receive $20,000 per annum, which is the same salary as an assistant Cabinet officer, and the Deputy Director will receive $18,500. The Director is authorized to make such rules and regulations as he wishes, to establish advisory committees as he may deem necessary, and to appoint unestimated numbers of other officials and employees for this new agency. Herewith will be established a new Federal bureaucracy which could easily be greater than any Government bureaucracy now in existence.

The Director is directed to encourage the coordination of planning policies for construction of all public works, and for this purpose he is required to review information collected from each department, instrumentality and agency of the Federal Government and of State and local governments as well to determine—

First. What public works projects have been or are in the process of being planned for construction.

Second. What public works projects are required to meet national, regional, and economic development.

Third. What the present policies are of the various departments, agencies, and instrumentalities of the Federal Government, as well as State and local governments, with respect to planning public works; and

Fourth. To what extent the policies of each such department, agency, and instrumentality of the Federal Government and the State and local governments should be coordinated with an overall policy with respect to public works planning and construction and methods for such coordination.

Fifth. He shall submit a report from to time to the President and Congress.

May I emphasize the fact that this authority of the Director applies to the planning and construction of all Federal and federally assisted public works programs and projects, both civil and military, and is not in any way restricted to the acceleration of a public works program to relieve unemployment.

It can readily be conceived that the Director, armed with the authority contained in this bill, could take over the policymaking now exercised by existing Federal agencies and could either directly or indirectly control the development of all Federal and Federal-aid public works programs and the selection and scheduling of specific projects for planning and construction.

Conflict and confusion will reign supreme when the policies of all Federal, State, and local agencies that now administer public works are forced to fit into an "overall" policy mold. And, if the Director is successful in imposing his will upon the policies, plans, and decisions of other Federal agencies and State and local governments, which appears inevitable, he will become an all-powerful political pork-barrel czar. He will be able to control all public works projects in which any Federal moneys are involved, from the construction of huge multipurpose dams and reservoirs throughout the Nation to the erection of a single lamppost in a city street. It seems incredible, but that is what this bill provides. Should this bill become law, the role of the Congress in initiating and providing funds for public works will be reduced to little more than a rubberstamping approval of such projects and programs that the Director may submit, because he can effectively insulate the Congress from the views and recommendations of the Government agencies which now actually administer public works.

There is widespread opposition to the creation of this new Federal agency. The administration is strongly opposed to it as is evidenced by opinions submitted to the committee by a number of representatives of the Federal Government.

I quote some of them as follows. First, the Department of the Interior:

> Thus, we feel that there would be a partial duplication of the functions to be performed by the Administrator, Coordinator, or Director with those already being performed by the various governmental agencies, including the Department of the Interior. It is difficult to determine from this bill how those functions will be coordinated with those of other agencies having similar responsibilities for public works construction.

Again I quote from the report of the General Services Administration:

> We believe that the establishment of an Office of Public Works Coordination and Acceleration as contemplated by H.R. 10113 is neither necessary nor desirable in connection with the planning, coordination, and administration of a public works acceleration program. It is felt that such planning, coordination, and administration can best be handled through those existing agencies which now have program authority and which presently are engaged in public works or other programs on behalf of the President.

Once more I quote from the report of the Department of Health, Education, and Welfare:

> We are in full accord with the general objectives of this bill. We do not believe, however, that the attainment of these goals requires the establishment of a new Government agency. The planning and coordination that is necessary to assure the initiation or acceleration of the most useful projects, when the economic situation requires such action, can best be done by the agencies which currently have program authority, with central leadership furnished through the agencies that now coordinate public works and other programs on behalf of the President.

And again from the testimony of Mr. Alan L. Dean, Deputy Administrator for Administration, Federal Aviation Agency, who said:

> Our major objection to H.R. 10113 is that it would create an additional Government agency. I don't by such a statement, mean to imply that creation of additional Government agencies is necessarily in itself bad. However, we believe that additional Government agencies should be established only upon a finding of clear and sufficient need in this case. * * * We believe that acceleration can best be carried out by those agencies which are presently engaged in coordinating public works and other programs on behalf of the President.

A bill, having the similar purpose to relieve unemployment as this bill, which was passed by the other body, contains no provision for the Office of Public Works Coordination and Acceleration.

The Congress working with existing Government agencies can maintain as they have in the past, an inventory of the status of all public works programs and projects; keep the President and the Congress informed on the unemployment situation; and make recommendations for regular public works programs and for the acceleration of programs to combat recessions. There is absolutely no need to create a new super-Federal agency to duplicate these functions. Furthermore, H.R. 10113 provides no procedures or authority for the implementation of such a plan of so-called coordination when it is finally prepared. Even the $900 million authorized to be appropriated by this bill will be administered and expended with no regard for such a plan.

As the debate on this measure progresses, we of the minority party will point out in detail, supported by facts and figures, that it is unnecessary legislation; that it will not achieve its objective; that it concentrates excessive power in the President, and that it definitely undermines the authority and responsibilities of the Congress. Furthermore, the creation of a new department in the executive branch is wasteful and extravagant and not in the interests of the economy of our country. The bill should be defeated.

Mr. Chairman, I reserve the balance of my time.

Mr. Chairman, I yield 30 minutes to the gentleman from Florida [Mr. CRAMER].

Mr. CONTE. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] Seventy-seven Members are present, not a quorum.

The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 206]

Andersen, Minn.	Fogarty	Mailliard
Anfuso	Frazier	Merrow
Baring	Garland	Morris
Barrett	Granahan	Morrison
Bass, N.H.	Green, Oreg.	Moulder
Blitch	Hall	O'Brien, Ill.
Bolling	Hébert	Pilcher
Bonner	Henderson	Powell
Buckley	Hoffman, Mich.	Santangelo
Celler	Inouye	Saund
Curtis, Mass.	Kearns	Scherer
Diggs	Kilburn	Seely-Brown
Donohue	Kornegay	Shelley
Ellsworth	McDowell	Spence
Evins	McMillan	Stratton
Fascell	McSween	Willis
	Macdonald	

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. KEOGH, 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. 10113, and finding itself without a quorum, he had directed the roll to be called, when 382 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Florida [Mr. CRAMER] is recognized for 30 minutes.

Mr. STAFFORD. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Vermont.

Mr. STAFFORD. I intend to vote against the Public Works Acceleration Act because, in my estimation, it is a political boondoggle of the worst type.

It will not help materially the unemployed of our country.

It represents further uncalled for and reckless deficit spending.

It establishes more bureaucracy in the Federal Government and gives unprecedented powers to the executive which belong to the Congress.

Just recently, the President of the United States told the people of this country in a personal address that we were not now in or headed for a recession. I believe him. Yet, such legislation as this can only be defended in the event of a serious upheaval in the economy. And passage of this bill by the Congress can only result in shaking the public confidence to such an extent that more of our workers could be put out of jobs.

The addition of nearly a billion dollars to the already horrendous national debt is unjustified under these circumstances. Such reckless economics is inflationary, and our working people will pay for it through higher prices.

There is presently available to the administration more than $2½ billion which could be used to create more jobs. Yet, it ignores these funds and asks for a political slush fund, which wasn't included in the budget presented to this Congress.

The establishment of further bureaucratic positions to administer these funds and the abdication by Congress of

its responsibility to approve specific appropriations for specific projects is unwarranted and dangerous.

Our workers in Vermont, and other Northern States, should be aware that this bill is a further political sop to States which for years have been trying to steal industries and jobs away from our area. Under the provisions of the House bill, the results cannot help but benefit these States to the greatest degree.

It is interesting to note, for instance, that in the committee report on this bill, the majority party lists 1,064 areas in the United States which would be eligible for assistance under the act and not one Vermont area was listed.

Even should a Vermont area be eligible, however, the chances of receiving any assistance of real value are so slim and the fundamental arguments against this legislation are so preponderant, I could still not support it.

It will not help our workers. Another billion dollars of red ink should not be spilled on our taxpayers. And I am opposed to abdicating the responsibilities which the people of Vermont sent me to Washington to carry out.

Mr. CLANCY. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Ohio.

Mr. CLANCY. Mr. Chairman, I rise in opposition to H.R. 10113, an unnecessary, injudicious bill which, in my opinion, would be totally ineffective in attaining the ends allegedly sought.

First, and most important, the appropriation of $900 million is unnecessary because there are billions of unexpended dollars available to the administration under previous congressional authorization that can be effectively expended in unemployment areas. Why should the President ask Congress for additional funds to accelerate construction of public works when the administration has failed to use the vast sums available to it which could afford some direct and substantial relief for unemployment? The proponents of this bill have not adequately answered this vital question.

Second. The bill is injudicious because it gives the President blanket authorization to select the programs and projects to be constructed and to determine what amount of money is to be appropriated for each project. I cannot support legislation which would delegate powers to the President which are constitutionally and traditionally a function of the legislative branch. This bill would enable the President to completely bypass the standard appropriation process. How can we in good conscience abdicate our responsibilities and further erode the traditional system of checks and balances so indispensable to insuring separation of the powers of government? The concentration of power in the executive branch has already reached frightening proportions. It is imperative that we not make a grave situation hopeless by voting for this bill.

Third. Because of the required time lag before actual construction can begin on public works programs this bill will not provide the jobs so many of our citizens desperately need now. Further, great numbers of our unemployed are unskilled workers who will not benefit from any job opportunities that may be created by such projects. This bill would not significantly, if at all, alleviate the serious unemployment problem facing this country. Moreover, I believe that expansion of employment opportunities should come from the private sector of the economy. And certainly a program which would result in further deficit financing by the Government will not stimulate and encourage growth by private enterprise. It is clear that H.R. 10113 would further increase deficit financing for no portion of the $900 million authorized to be appropriated is contained in the budget.

Another undesirable feature of this bill, one which cannot be overstressed, is the unnecessary creation of a Federal agency which would in large part duplicate functions that can best be handled by existing agencies. In addition, under the provisions of this measure the Director of the new Office of Public Works Coordination and Acceleration could exert almost unfettered control over public works policies, including the power to influence local decisions. It would be dangerous indeed to concentrate so much power in the hands of one man.

There is absolutely no justification for passing H.R. 10113. It has no merit whatsoever. The measure is obviously politically conceived and would serve no end but to enhance the status of the party in power. The unemployed would still be jobless, but the bill's objective will have been achieved. Some voters will be blinded by this illusory method of combating unemployment.

I strongly urge that this bill be defeated.

Mr. CRAMER. Mr. Chairman, I doubt if I will use the 30 minutes allotted, unless there are questions of which I may be capable of answering. But there are some points that I think are important at this time and this stage of debate which ought to be discussed in opposition to this bill.

Mr. Chairman, I have had the privilege of serving on the Public Works Committee now for 8 years, and in my opinion this is the worst bill that has ever been voted out of our committee. It gives to the President of the United States or the executive branch of the Government—and I would oppose it be it either President Kennedy or President Eisenhower—it gives to the President and the executive branch of the Government greater power, in a more unlimited fashion, beyond any precedent, than any bill that I can remember for some time. I say it is without precedent. Some people will argue "What do you mean it is without precedent, because when President Eisenhower was in the Presidency in 1958 the Republicans and the Congress gave to the President a requested $400 million for highway acceleration programs, and some other specific antirecession programs were enacted." But this is the difference, and this is an important difference because this involves the constitutional powers and prerogatives of the Congress of the United States. I happen to believe in the Constitution of the United States of America. I happen to believe that I was elected to this legislative body to perform a legislative function. I do not believe I was elected to delegate those functions and powers to the President or anyone elese. That is exactly what is being done in this bill in unprecedented fashion. The President is being given a $900 million blank check—that is, the executive branch of the Government—a $900 million blank check to spend on any type of local public works projects deemed necessary by the local community, which means anything including ski slides, swimming pools, golf courses, all of which, as a matter of fact, have been testified to by some of the leading public officials in this Nation, including the Governor of the great State of Michigan, the mayor of the great city of Chicago, suggesting that these were projects which they wanted to spend this money and they needed it and they had to have it. The Governor of the State of Michigan said he had to have $689 million of the total in order to take care of public works, local and State projects, needed in the State of Michigan. You know how much would be available in the State of Michigan out of this total program if it got the total 10 percent maximum to which it would be entitled under the bill? Some $60 million. Do you know how many unemployed people could be employed a year in Michigan at the rate of $30 million annually, this being about a 2-year program, as far as putting it into effect is concerned? About 12,000 people. A drop in the bucket.

Did you hear that figure? That is in the evidence—12,000 people. I suggest to the gentleman from Michigan [Mr. BENNETT], because he asked the question, and rightly so, "Is this going to help unemployment in my locality where there is a serious problem?" And the answer in my opinion is, "No." You cannot do it with $900 million, $300 million of which goes to paragraph 5(b) rural redevelopment program areas in the first place, leaving $600 million, which would mean a maximum of $60 million for the entire State, to be spent over a 2-year period. And I repeat that means 12,000 employees a year. And, according to the testimony of Mr. Meany, it means the entire bill, if it takes 2 years to spend the money, which is estimated it will take, that 125,000 employees will result from this bill per year. That is 0.03 percent of the present 4 million unemployment figure. It is sheer demagoguery and inconscionably misleads the many unemployed to suggest this bill will cure their problems.

Do you know what it would cost to bring this unemployment down to 4 percent, or to reduce it by 1 million employees? If this is the answer—that is, public works pump-priming, WPA projects, leaf-raking projects—do you know how much money it would take to employ 1 million people under this forumla? At least $4 billion. This is not the answer to the problem. There is a much more acceptable, a much more proper answer, and it does not involve an improper delegation by Congress of power to anyone. I think the best example of it has already been mentioned, the $1,994,000,000 that

was released just recently by the Bureau of Public Roads for highway accelleration under a presently authorized and financed program and made available to the States for obligation this year.

For instance, to the State of Pennsylvania, if I correctly remember the figures, it meant about $146 million more to be obligated right now. And it is in a program that has been proven a good program. It is not a leaf-raking type, swimming-pool, ski-slide type program that I am convinced, if the taxpayers of this country fully realized that we were sitting here today deliberating whether we were going to put 50 percent of their money into this type project would rise up in righteous protest against.

Some people say, What are you talking about? Are you trying to mislead us? This is the testimony before the committee. Here is what the Area Redevelopment Agency is doing with regard to these types of projects as reported by the Department of Commerce itself as of Monday, July 30, 1962. You do not have to take my word for it; here it is. The gentleman from Minnesota admitted that this is the area in which the money is to be spent.

Here is the case of Ironwood, Mich.: Gogebic Range Ski Club, to build a ski resort, a $250,000 loan, $150,000 grant.

Pendleton County, W. Va.: To operate a tourist and recreation center, $1,477,000 grant, for a State-operated tourist and recreation center.

Here is another one: University of Colorado, to study tourist areas across the Nation; statistical profiles on urban industrial areas.

Park City, Utah; $2,500 to study proposed ski facility.

We are not talking through our hats. This is all a matter of evidence before our committee. As a matter of fact, Mr. Stoddard, representing the Interior Department, said this was what he was going to spend this money for, if this money, $900 million, were made available to him.

Here is the description. This is his testimony as it appears on page 159 of the hearings:

> The Department of the Interior administers 181 million acres of Federal land on which livestock are grazed under permit. Large acreages need improvements that will conserve soil and moisture and increase forage production. Such improvements involve: 32 million acres needing brush control; 12 million acres needing to be seeded; 16 million acres needing weed-control treatments; over half a million water development and water control structures should be constructed; more than a thousand miles of fencing is needed.

That is right. That sounds like a return to WPA to me.

I mentioned what Governor Swainson suggested. He spoke about school construction.

On page 108 the Community Facilities Administration lists present loans for advance planning. Here is a list of the projects. In the State of Alabama, in the advance planning money, $57,000, for school construction planning estimated cost, $1.3 million. The definition in the bill is that any "federally financed" program can now be eligible.

I understand amendments are going to be offered to strike out schools. So far as I am concerned, that is just an admission about how ill advised and poorly drafted this bill was.

This leads to how this bill before us came into being. The administration wanted a $2 billion standby authority. The minute our hearings started they wanted $600 million more immediately. The hearings were held, and lo and behold, after they were over with, and we were not consulted on the makeup of the bill on our side of the aisle, a bill was presented to the committee, rubber-stamped by the majority, brought up on one morning and passed the same morning, and in that bill was not $600 million for public works programs but, lo and behold, it was $900 million. We on the minority asked what was the justification for $300 million additional, and it is obvious, when you read the report, with this list of communities involved as rural redevelopment, the reason it was included was that it covered practically the waterfront, whether there was need or not, in order to get enough people in the rural area, which is not judged on the basis of "unemployment" under the law, it is judged on the basis of "underemployment," on whether the people in one rural area make as much as people make that do not have comparable living conditions or comparable cost of living in some other area. So the $300 million was added without any discussion, without any hearings, without any request from any department of the executive branch of the Government. The $300 million for rural area redevelopment was added for the obvious purpose of including enough areas, even though not unemployment areas, to try to get the bill passed by including enough congressional districts.

The distinguished chairman of our subcommittee, the gentleman from Minnesota [Mr. BLATNIK], said this bill makes 50 percent Federal grants available. He is unhappy about it; it should be more he says. The bill introduced in February 1962 by the gentleman from Minnesota [Mr. BLATNIK] carried exactly the same provision, 50 percent. But I say to the gentleman, and I brought this up in committee and no one was willing to do anything about it—the fact that there is a restriction in this bill now that will keep any community that is hard up for cash from building anything under this program. I challenge the gentleman to refute that statement.

I will repeat—that there is a provision in this bill which would prevent any community that has a financial need—and that is supposed to be the excuse for it, that they cannot raise enough money and therefore they have to have this grant money—there is a provision in this bill which will prevent any community that has a need and that does not have matching funds for doing the job, and I pointed it out in the committee hearings but to no avail.

Here is the provision. It appears on page 19 in section 10. Now listen to this. This has to do with chronic unemployment areas that they have claimed, those areas where the bond issue money is all gone and where they have claimed the communities cannot borrow or put up their own money to match what this bill provides for or what is presently available.

Here is what the committee wrote in this bill. The philosophy is good, but it is not going to help unemployment areas and underfinanced municipalities and counties and States. Here is what it says. It says:

> No part of any allocation made by the President under this act shall be made available during any fiscal year—

Now listen to this. You have to realize that these local communities—and I am sure you do realize this—in most of the States many of them operate on a biennial basis. They meet once every other year. They cannot juggle their budgets every 6 months. The States have to live by what the legislature does. The municipalities do budget on an annual basis. How are they going to juggle figures as required by this provision?

To read further, it says:

> No part of any allocation made by the President under this act shall be made available during any fiscal year to any State or local government for any public works project—

This is a condition—

> unless the proposed or planned total expenditure (exclusive of Federal funds) of such State or local government during such fiscal year for all its capital improvement projects is—

What?—

> is increased—

Now, the total expenditures of the city have to be increased—

> by an amount approximately equal to the non-Federal funds required to be made available for such public works project.

I listened to the appeal of the distinguished gentleman from Minnesota that this is going to help all these communities that do not have enough funds available. I say that this condition requires that the State or local community match that 50 percent with a 50 percent increased total public works construction amount, not that they were going to spend on this project anyway, but 50 percent in new accelerated previously unprogramed and unfinanced projects. Does the gentleman dispute that?

Mr. BLATNIK. Yes; I certainly do dispute that.

Mr. CRAMER. Then the gentleman does not read the language correctly, because that is what it says.

Mr. BLATNIK. Not only do I read the language correctly but I know this situation because it applies precisely in my own hometown. What it means simply is this. When a municipality has scheduled a public works program at a certain level and to insure additional employment, we ask them to increase their amount to match the Federal funds.

Mr. CRAMER. That is to increase the amount of local expenditures, in other words?

Mr. BLATNIK. Would my colleague let me finish?

Mr. CRAMER. But you said the funds are not available.

Mr. BLATNIK. You challenged me. Will you yield to me to answer?

Mr. CRAMER. I yield to the gentleman further; yes.

Mr. BLATNIK. Let me give an example. What this does—No. 1—it prevents a municipality that has scheduled a certain level of expenditures for public improvements from utilizing Federal funds and from saying "Oh, goody, goody. We will just take this 50-percent grant and make a saving on the other and use it for some other purpose." For example, let us say we have $100,000 in a capital improvements fund; $100,000 is not sufficient to take care of the $600,000 improvement in the water system which we want to undertake. But with the 50-percent Federal grant we can get this 50-percent Federal grant, use our $100,000 which is now lying idle and issue revenue bonds which are not covered by the bonded limitation for the rest and undertake an additional capital improvement work—in short, a new water system—and thus give more employment and work above and beyond that which was scheduled for this current year. So it works perfectly simply, the main purpose being to protect the Federal Government so that Federal funds would not be used as a substitute for municipal funds, and it is not one bit as complicated as you are trying to make it out to be.

Mr. CRAMER. This is an interesting example but there is not any question that the condition is that local bodies have got to put up more money and advance new programs in order to get Federal Government matching funds. Now, if you required an increase in the total municipal or State expenditure by that amount additional, if they do not have the money where is it going to come from? This sounds like Mr. Heller's economic philosophy: It is fine to be a deficit spender on the theory that the country gets more money out of an increased amount of the total gross national product that they claim results from this deficit spending pump priming. It just does not make sense. This proposed increased expenditure on the part of local communities amounts to a requirement that they must increase their total local public works expenditures by the amount of the Federal expenditures—and some unique situations as suggested in this colloquy might exist—but not very often.

Mr. COLLIER. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield.

Mr. COLLIER. During the course of the hearings was it established that any entity that might participate in this program has a greater indebtedness per capita than the Federal Government presently has?

Mr. CRAMER. Will you repeat that?

Mr. COLLIER. I wondered if during the course of the hearings anyone established the fact that any community or any area that would participate in this program presently has a greater indebtedness per capita than the Federal Government.

Do they have greater indebtedness per capita than the Federal Government?

Mr. CRAMER. Not per capita; no.

Mr. COLLIER. That is the point I am trying to make.

Mr. CRAMER. The indebtedness of the Federal Government per capita is greater. In other words, the Federal Government is supposed to bail out local communities who are not in as bad shape as the Federal Government is in regard to deficit financing.

Let me make sure it is understood what this bill does. I started to point out that this gives the executive branch a blank check. This also cuts across all jurisdictions of all committees. I wish some of the Members who serve on other authorizing and appropriating committees would take heed of this. This is a rewriting of every public works construction authorizing bill presently in existence. It is a rewriting of policy making available 50 percent Federal grants no matter what the present Federal grants are on a percentage basis. It cuts across the jurisdiction of all of these committees. Let me give you some examples here.

There is no question but what it cuts across subject matter under the jurisdiction of the Banking and Currency Committee. Housing and Home Finance Agency: Urban planning assistance loans and grants, urban renewal loans and grants, low-rent public housing loans and grants, housing for the elderly loans, student nurses and interns housing loans. College housing, advances for planning of all kinds of State and local public works which, of course, would be now available for 50-percent grants. Loans for construction of all kinds of State and local public works and facilities.

Grants for construction of general hospitals, mental hospitals, tuberculosis hospitals, chronic disease hospitals, public health centers, diagnostic and treatment centers, rehabilitation facilities, nursing homes, and nurses training facilities.

All of these programs would be available for this public works program by writing in this obligating authority without consulting the other committees and regardless of appropriation committee action—because under the bill a blanket request for $900 million would be made to the Appropriations Committee not on a line item or project by project basis as is required in executive justification today. This bill applies to navigation, flood control, and related purposes projects. This changes the established formulas for Federal participation. This bill gives the President or the executive branch unlimited powers in these projects. There are $3 billion of projects presently on the deferred list for rivers and harbors and flood control; the executive under the bill can take any portion of any or all of them off the deferred list if it wants to regardless of the merits and without coming to Congress. If the executive wants $900 million in grant funds the Appropriations Committee does not have to have any further justification under the terms of the bill other than a lump sum of discretionary funds. All they have to assert is that it is pursuant to the terms of this legislation.

It cuts across the Farmers Home Administration, Department of Agriculture in loans for small watershed projects. The Rural Electrification Administration, Department of Agriculture, loans for rural electrification systems. The Federal Aviation Agency, grants for airport construction, and so forth. We are rewriting all of the authorizing legislation that has come before the Congress, which is unprecedented. In every other instance the Congress has considered through proper committees whatever increased authorizations may be justified for whatever purpose for what programs and under what ground rules. This bill does not do that.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Missouri.

Mr. CURTIS of Missouri. I was very much interested in the development of the limitation and the communities having to put up additional money, and in the gentleman's colloquy with the chairman of the committee.

I recall when the Committee on Ways and Means went into the financing of a highway program, the argument for the 90–10 formula was that the States could not put up any more than that. It was argued that if we did not have it at 90–10—I did not buy that myself, but that was the argument—the program would not go ahead.

Is that what the gentleman is saying on this 50-percent formula, that in areas that are already having difficulties, and I can see the point, they would not even have the money to increase what they are already doing, is that correct?

Mr. CRAMER. That is correct. That is what the language of the bill says, and I do not think there is any question about that.

It says: "for all its capital improvement projects is increased by an amount approximately equal to the non-Federal funds required to be made available for such public works project."

Mr. CURTIS of Missouri. I think the gentleman is exactly right. All of us on the Committee on Ways and Means that went through this 90–10 formula are aware of that argument. I want to commend the gentleman for bringing that home.

Mr. CRAMER. I want to refer to one or two other points. This is further deficit spending. There is not any question about it. It was not in the budget. This will further "bust" the budget by some $900 million this year. This is a new program for $900 million more of appropriations this year with an anticipated $4 to $5 billion deficit in 1963 already—and $4.3 billion deficit in 1962—and a national debt at $300 billion.

It has been stated by the President it is not necessary to have a tax cut this year because unemployment is not as bad as it was. You cannot have your cake and eat it, too. Unemployment is either bad or it is not.

Of course there are some critical areas of unemployment. But the record shows that in the last 6 months unemployment has decreased from 4.5 million to 4 million people, which is a substantial decrease. If we were to try to vote such a reduction by public works pump priming as testified to by Mr. Meany, to the effect

that a million dollars will provide 250 jobs, and if we are going to provide the remedy through more money, it would take over $2 billion to decrease unemployment by 500,000. It appears this is not the approach. This figure by Meany also assumes every project you go into is going to result in new employment. But that does not happen. Your contractors often simply work their present employees overtime, and that is exactly what will happen in this program—they will work the employees overtime. This was proven in the Highway Acceleration Act of 1958.

Let us come to another matter, the question of what other programs are available. I recognize that many areas have critical unemployment problems. The answer to me is obvious. The answer is to accelerate some of the $2.5 billion proven programs for which funds have already been appropriated. Let us take the area redevelopment, for instance, a lot of harpoons have been thrown into area redevelopment because it requires a community to do something for itself in order to qualify. What is wrong with that? A community has to plan for a permanent effort to cure unemployment in the area redevelopment program by trying to find new industries and relocations. What is wrong with that? Other approaches such as this bill are strictly temporary things that are not going to do the job at all. That is what is wrong with this bill—a short shot on a limited basis having a minimum effect but advertised as an answer to all unemployment.

They claim this bill is going to do so much for so many communities with 50 percent Federal matching funds. What are the major features under area redevelopment? It says:

> No limit is set on a percentage of aggregate project cost that may be loaned by ARA for public facilities.

That is, if you have a balanced program, if you are looking for a permanent solution to unemployment:

> The funds which can be practically obtained from loans and from other Federal sources, and (2) the amount necessary to insure completion of the project.

So the Federal participation under ARA does not have a 50-percent limit. It is not limited under the present existing law. Under community facilities, a program already in effect, 100-percent loans for 40 years are already available.

There are $2.5 million of proven authorized programs, there is the Veterans' Administration direct loan program, $450 million; community facilities, $447 million; urban renewal, $1.1 billion; Maritime Administration, $64 million; ARA, $66 million, and there has been such a need for that that they have not even spent that money yet. Then there is the Farmers Home Administration, and this does not include the sum of $6 billion, which is already authorized for rivers and harbors and flood control public works projects, already authorized properly on their merit by the Congress.

So, the way to get something done to really aid unemployment is what was done in the highway program with the $2.9 billion recently approved for accelerated obligations which the President and the executive and the Bureau of Public Roads incidentally could easily have said to the States, "Give first priority to communities that have employment problems when you let these new contracts."

Mr. Chairman, how interested is the administration in unemployment? Not even interested enough in providing this $3 billion to suggest that it should be made available, and that is three times the amount of money made available in this bill; that it should be used in unemployed areas. That is the interest which the administration has in unemployment.

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from California.

Mr. TEAGUE of California. Mr. Chairman, I would like to state to the gentlman from Florida [Mr. CRAMER], although I understand, of course, that he had nothing to do with it, that I was shocked in going through this green sheet put out by the Committee on Public Works to find Oxnard, Calif., listed as a city of substantial unemployment and qualifying as an eligible city for relief under this bill.

Mr. Chairman, Oxnard, Calif., is in my district, about 40 miles from where I live. If there is any city in the whole United States that should not be qualified for such relief as an area of substantial unemployment, is in Oxnard, Calif. I see the gentlemen from California [Mr. DOYLE and Mr. ROOSEVELT] sitting across the way. They are very familiar with this area. It is close and nearby. I think they will agree that it is surrounded by three major military bases, has a very booming harbor with two more under construction, industry is moving in rapidly, and it has grown from 30,000 to 50,000 population. Why in the world was it singled out? I do not know. I would appreciate it if someone on the other side would enlighten me.

Mr. CRAMER. I am sure I could not tell the gentleman. I do not know on what basis it is so declared. It is listed under the ARA distressed areas.

Mr. TEAGUE of California. If the gentleman will yield further, it is stated that it is an area of substantial unemployment. I have never heard of that situation from the newspapers or the chamber of commerce or an individual or anyone else.

Mr. CRAMER. Perhaps someone on the majority side can answer that question. They have a list of them.

Mr. TEAGUE of California. If the gentleman will yield further, I might consider offering an amendment to the bill later on to eliminate Oxnard, Calif., from this dishonor—that it is being selected for this special help, because the city does not consider itself to be distressed at all.

Mr. CRAMER. I am glad that someone representing an area that is supposed to be distressed is letting the House know that the local area is not interested in this bill and that such area should not have been on the list in the first place. Again, it shows the mistake of the Public Works Committee in trying to make available grant money across the board in all these programs when the Public Works Committee is not qualified to make such decision in areas outside our jurisdiction such as redevelopment, housing, and other areas, as the gentleman mentioned.

Mr. McCULLOCH. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield to the gentleman from Ohio.

Mr. McCULLOCH. I wish to compliment the gentleman from Florida [Mr. CRAMER], on his able, persuasive, startling presentation of this proposal. Of course, it is known that the expenditure of 10 times this amount of money in the thirties did not end unemployment. I cannot help but remind the committee that since January 1961 there have been 150,000 new people added to the civilian payroll of this country, with no apparent reduction in decreased unemployment. I just want to say that the hard-working, frugal, budget-balancing-minded people of Ohio are going to be amazed when they hear the facts concerning this proposal, and I am sure that I know what they are going to do when they learn those facts. It will be our intention to present them even in greater detail than presented by the able gentleman from Florida, who not only has done such a great job on this committee but on the House Committee on the Judiciary as well.

Mr. CRAMER. I thank the gentleman very much.

Mr. GRAY. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I shall be glad to yield to the gentleman from Illinois.

Mr. GRAY. With reference to this matter of Oxnard, Calif., I quote the Department of Labor Statistics which shows that it has had 6 percent or more of the employable labor force unemployed 9 months out of the past 12 months. I believe that if the gentleman from California [Mr. TEAGUE] would call some of the 6 percent or more unemployed, the gentleman would find they would like to have some assistance. These figures came from the U.S. Department of Labor.

Mr. CRAMER. If I had to choose between the Labor Department figures and those of the gentleman from California [Mr. TEAGUE] in whose district this town is located, I would take those of the gentleman from California. Anyway, if Oxnard has a serious problem I am sure the gentleman from California [Mr. TEAGUE] would be aware of it. Also it shows that Oxnard is not asking for this Federal handout but Congress is trying to force it on this community. I think it also shows the error of the Public Works Committee in trying to make available 50 percent grant money for all kinds of local public works projects in areas where there is not any real unemployment or any real need; as a matter of fact, where there is no real demand on the part of the local communities for this money. I have not had any local areas come to me and say, "I think you ought to put 50 percent Federal grant money into ski slides and swimming

pools." Of course, coming from Florida, I would not have requests concerning the former; but swimming pools and golf courses and fire stations, for those things, our local communities do not expect and are not demanding Federal money. We want to make these decisions ourselves. I think there is the rub. Is the local community going to make that decision or is the Federal Government going to make it and tell the local community, "We think this is necessary and we think that is necessary" under the terms of the bill. The local community should make the decision, and if it does, then you are going to be in a position, as the mayor of Chicago suggested he has already decided where the Federal Government is going to be building swimming pools and golf courses, building public parks, with 50 percent Federal matching money. And if the Congress accepts the Senate version of the bill, the taxpayers are going to pay 50 percent grants and 50 percent loans—or 100 percent financing for such necessities.

The gentleman from Minnesota I think let the cat out of the bag when he said that he would even accept an amendment adding more than 50 percent grants, which means that obviously he is going to be overanxious in the conference, if this bill should pass, to accept the Senate version of 50 percent Federal grants and 50 percent Federal loans for such projects.

Mr. JOELSON. Mr. Chairman, will the gentleman yield?

Mr. CRAMER. I yield.

Mr. JOELSON. The gentleman was critical of the Area Redevelopment Administration in the matter of loans for swimming pools and ski clubs, and the like. The purpose of this Administration is to create jobs. The gentleman comes from Florida, and is he not aware of the fact that the recreation and tourist industry creates jobs? This is just not something that is frivolous, but is for the purpose of creating jobs in this very sizable industry.

Mr. CRAMER. But the bill is not related to a program as is ARA for creating long-range jobs through industrial development and provides for such swimming pool and golf course financing when not related to well-rounded community industry attraction. So far as your golf courses are concerned, and your swimming pools, there is not a community in the State of Florida that is asking or expecting 50 percent Federal money for such projects—and I'm sure the taxpayers of Florida do not want Federal money spent for such projects—and such construction planning controlled in Washington.

Mr. JOELSON. We are not talking about 50 percent Federal money; we are talking about the money in the area redevelopment program.

Mr. CRAMER. The gentleman is talking about the V(b) ARA rural underemployed areas, of which there are a number in Florida, and I guarantee you that they are not asking for any 50 percent Federal matching money for swimming pools and golf courses—no such requests have come to my attention.

This bill authorizes the President to convert any kind of a Federal assistance program, under existing law, into a 50-percent Federal grant program.

A careful and objective analysis of this bill can result in only one conclusion and that is that the bill, if enacted into law, will not provide any appreciable increase in employment and that it is highly objectionable because of the needless increase in government spending, requiring deficit financing, and the unprecedented delegation of congressional powers to the President to select and allocate funds for projects and programs, and to establish new Federal grant programs without limitation. Needless to say, once such new Federal grant programs have been commenced under authority of this bill, great pressure will be exerted upon the Congress to continue and enlarge such programs in future years.

This bill simply provides a $900 million political slush fund for the President and is a vehicle for the Federal Government to inject itself further into State and local community life, which will add to the ever increasing cost of the Federal Government in doing what can be accomplished better at the State and local levels.

At the time of hearings on this bill, in March and April of this year, the national unemployment was reported to be 4,543,000 persons. During the past 6 months unemployment has dropped to 4,018,000 for an increase in employment of 525,000 persons, which is more than four times the employment that could result from expenditure of the $900 million authorized by this bill. Furthermore, the President recently announced that he had decided against asking for a reduction in taxes this year because the employment situation had materially improved. Much more can be accomplished, in bringing unemployment down to the acceptable level of 4 percent by creating a favorable atmosphere for expansion of the private sector of the economy than by creating new Government spending programs. What is needed to restore confidence is an immediate stop to new Government spending, accompanied by a thorough revision of the tax structure to encourage capital investment, to promote expansion and modernization, and to offer much needed relief to the ordinary taxpayer. With the cost of living having reached an all-time high in each of the last 5 months, the American people are far more concerned about the economic squeeze they face today than about the New Frontier's social experiments, which invariably involve more Government spending to be paid for by the taxpayers.

We all share a grave concern over the seriousness of continuing unemployment, and an effective solution must be found, but this bill is not the answer; it would merely compound the present serious economic plight of the country.

Mr. GRAY. Mr. Chairman, I yield such time as he may require to the gentleman from Massachusetts [Mr. LANE].

Mr. LANE. Mr. Chairman, the rate of unemployment in the United States has been disturbingly high for the past 5 years. A number of areas are affected by chronic unemployment considerably higher than the national average.

After two Presidential vetoes—in 1958 and 1960—the Area Redevelopment Act was finally signed into law last year. However, this is a basic long-term effort to rehabilitate the economies of these areas, and it cannot produce the immediate aid that is needed. An accelerated program of public works is the most effective method to do the job until longer-range programs are able to put more people back to work, and to build the foundation for future progress.

There is a substantial backlog of both Federal and local projects fully planned which can be started quickly, and this form of aid can be directed to those areas where unemployment is serious and persistent.

Out of hundreds of projects in the various States planned or being planned in areas eligible for aid under H.R. 10113, I note that in my area in Massachusetts, Lawrence-Haverhill, Lowell, and Dracut would benefit. The city of Lowell would benefit by the construction of a fire alarm building, and sidewalks, at an estimated cost of $179,600. The town of Dracut would be helped in putting some of the unemployed to work by the construction of a water project and three sewer projects, totaling $1,588,280. In the Lawrence-Haverhill area, local public works projects will be considered under the terms of this bill. In addition, the demand generated for materials and equipment used in this construction, will spread its effects throughout the economy.

Up to the present, there has been no coordinated program of public works construction to meet essential needs that would at the same time come to the aid of distressed areas. The Area Redevelopment Act provides us with the formula for determining those areas deserving of priority assistance. Whereas the ARA is concerned with long-range remedies, the Public Works Coordination and Acceleration Act will provide immediate help, with encouragement for those projects which can be started promptly and the bulk of the employment created by these civil capital improvements will occur within 12 months after the project is started.

Each local project, as distinguished from a purely Federal project, must meet an essential public need, such as water and sewer works, public buildings, local streets, and sidewalks, hospitals, et cetera.

The bill authorizes the appropriation of not more than $900 million to accelerate construction activity and employment both on direct Federal projects which have previously been authorized by Congress, and on local public works construction by matching Federal grants. In most cases, grants can cover up to 50 percent of the cost.

The unemployed are presently excluded from the productive activity and the earning power necessary for their own needs, and for the growth of our economy. We seek permanent remedies for this problem. But, until they are designed and applied successfully, we cannot permit the unemployed to drift into dependence upon charity, and into personal frustration and discouragement.

The bill would create an Office of Public Works Coordination and Acceleration, the basic purpose of which would be to provide essential information to the Congress and the President concerning public works backlogs, current construction, and planning for future needs. No Government agency has this responsibility at the present time, to insure the most effective allocation of resources.

The proposed office would also be charged with encouraging State and local governmental agencies to develop orderly capital improvement programs.

Wars, hot and cold, have delayed the construction of public works. To close that gap and simultaneously ease the unemployment problem are the twin objectives of H.R. 10113. Both are necessary, in combination with other measures, to realize the full growth potential of our economy.

Mr. GRAY. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Alabama [Mr. RAINS].

Mr. RAINS. Mr. Chairman, I would like to speak briefly in support of the public works employment bill. I am very glad that the House will have an opportunity to cast a clear-cut vote on the question of unemployment. This bill represents the main opportunity we will have this session to make a record on unemployment and answer the question of whether or not we are willing to do anything about it. A vote for this bill is a vote to put the unemployed back to work and to stimulate our lagging economy. A vote against the bill would be a vote to ignore the plight of the unemployed and the danger that the country may slip into another recession. We must not let the discussion of details and side issues obscure the fact that a vote against this bill would be a vote to turn our backs on the 4 million jobless men and women.

I am particularly pleased that the committee set aside $300 million for rural areas. Many rural areas in the South have not known prosperity since the twenties. They suffer from chronic unemployment and low incomes. In spite of their great need, however, rural areas are handicapped in taking advantage of programs such as this bill would establish because they are not set up to act quickly when the opportunity for aid is offered. This reservation of funds will assure that ample assistance will be available to meet the needs of depressed rural areas.

At the same time, there are many industrialized communities in the South which will benefit equally under the bill. We have had our share of problems in recent years as a result of the 1958 and 1960 recessions and the inadequate recovery periods that followed.

Mr. Chairman, my years of experience in the field of housing and community development have convinced me that there is a great need for additional Federal assistance in the field of community facilities. Already we have adopted the "grant" approach to meet a number of urgent problems, particularly those affecting the larger cities. The principal example is the urban renewal program where the Federal Government pays two-thirds, and in some cases three-fourths, of the cost of slum clearance. In my judgment the need for public works, such as sewer and water facilities, often represents just as serious a need as the need for outright grant assistance. This, coupled with the ominous persistence of intolerably high unemployment, completely convinces me of the wisdom of this bill. At the beginning of this year, it was apparent that there was reason for concern over the future economic course. While the economy was working on an uptrend, a careful look at the basic economic factors showed that this was no reason for assurance that this recovery would be any more successful than those of other recent years. Economic experts are agreed that investment plays a key role in determining the level of business activity. A careful study of the purpose for investment and the factors involving the ability and willingness of the business community and of Government to step up investment indicated serious doubts whether or not investment would rise far enough or rapidly enough to bring the economy all the way back to full prosperity. In early March of this year I introduced a bill, the Community Facility Act of 1962, which was designed to spur employment through Federal grants for needed local public improvements. I take great pride in the fact that this bill, the discussions about it, and the support for it helped to clarify the situation and contributed to the formulation of the bill now before the House.

The Public Works Employment Act we are now considering is based on the fact that public works have special advantages as a means of stimulating the economy.

First, this approach makes it possible to spend the dollars where they are needed most in areas of highest unemployment while the entire Nation is benefitted indirectly, through the demand for construction materials and equipment and through the spending and respending of the incomes generated by the first impact in those areas with the largest number of jobless men and women.

Second, it should be pointed out that, in spite of the gains in other fields of employment, the number of those now employed in contract construction is still below the year-ago level. In this case let me note that the housing starts which rose rapidly last spring from the extremely low winter levels have now dropped back during the past 2 months on a seasonally adjusted basis. Industry experts expect this reduced rate to persist in the months ahead. Third, the assistance provided by this bill will result in construction of many vitally needed local public works projects which will make our communities better places in which to live, add to our national wealth, and encourage economic growth in the future. Unfortunately, public investment has been a kind of stepchild in our economy in the past two decades. At the end of the 1930's, the special aids to public works construction combined with our reduced rate of population growth left us with a relatively inadequate level of community facilities. Under the pressures of World War II and postwar material shortages, local public works very often were shoved aside for a later time. Then, under the necessary restrictions of the Korean war period, community facilities again were delayed. Since then, recurring periods of tight money—which is generally recognized to have its greatest impact on the flow of home mortgage money and borrowing by local governments—have served to impede our efforts to achieve an adequate level of public investment. Throughout this period, local government has been under tremendous pressure to meet the needs of our rapidly rising population and the high standards of public service which our people demand.

The impact of this bill on public works construction will be felt quickly in view of this tremendous backlog of needed projects. On August 23 I inserted in the RECORD a table showing the hundreds of projects which have been fully planned or are being planned under the section 702 program of advances for public works planning. This actually is only a small part of the many projects which would be eligible for aid under this bill, but it is a clear indication of the fact that the assistance provided under this bill can be put to work promptly.

When this bill becomes law, as I am confident it will, and the funds are appropriated, an eligible community can apply for a grant to cover 50 percent of the cost of the needed public project. The balance will normally be raised through the sale of the community's tax-exempt securities to private investors. If it cannot obtain a reasonable interest rate and terms in the private market, then it can turn to the Community Facilities Administration and make application under the public facility loan program. Any project eligible for a grant under the pending bill is specifically made eligible for a public facility loan if necessary. These loans carry an interest rate of 3¾ percent; except that in the case of an area eligible for aid under the Area Redevelopment Act, the interest rate is 3½ percent. Taken together, this assistance means that these backlog projects and others in which the planning period is brief can be started in a very short time.

Mr. Chairman, when the Congress passed the Area Redevelopment Act last year, it gave recognition to the fact that there are many places with basic economic problems which suffer from high unemployment even when the country as a whole is well off. That program was never intended as a shot-in-the-arm for these communities. It is a basic, long-range undertaking and, before any aid can be extended, the Area Redevelopment Act requires the development of an overall economic plan. This requirement immediately imposes considerable delay. Meanwhile the unemployed are still idle and this bill is urgently needed to put them back to work right now. At the same time, this aid will result in the construction of many much-needed Federal, State, and local public works. These communities, because of the same

economic problems that result in their high rate of unemployment, have particular difficulty in financing necessary community facilities. The 50-percent grants provided by this bill coupled with the loans available under the community facility loan program to help finance the balance will give an immediate stimulus to employment in eligible areas and, in fact, throughout the country; and will help to make these communities better places in which to live and thereby enhance their prospects for economic recovery in the long run.

Mr. Chairman, the House this year passed a $4½ billion foreign aid bill. Much of that money will go for just the same kind of project that would be aided by this bill. It certainly seems to me that our constituents would be well warranted in taking us to task if we fail to support the bill now before us which would do for our fellow Americans what the foreign aid program does for those in other countries.

I want to answer some of the questions which have been raised in connection with this bill. In the first place: Why do we need to spend this $900 million? Unemployment has been above the 5-percent level continually for the past 5 years, and there is nothing in recent statistics or business reports that indicates a rapid return to full employment. That is first.

The next question so often asked of me is: Where would these public works projects be located? To assure that the program will have its first and greatest impact in areas where unemployment is most serious, aided projects would have to be located in one of the cities or counties eligible under the Area Redevelopment Act or in one of the 122 other communities which have suffered from high unemployment, 6 percent or more, for most of the past year. Altogether this comes to a little over 1,000 eligible places which are listed in the committee report.

How many jobs will be created under the bill? At least 150,000 new jobs would be created in onsite construction employment and in the factories and mills which produce construction material. The bill would create additional income by providing jobs for people who are now barely getting by on unemployment compensation or welfare payments. It is difficult for me to understand how we can continue to vote for unemployment compensation, which most of us do, then vote against a bill to get a man off that unemployment compensation and put him to work in a job that helps to build business and help the county, State, and Nation. As the incomes generated are spent and respent, at least 150,000 additional jobs would be created through the country, making a total of at least 300,000 jobs that this bill by conservative figures would actually put to work.

What kinds of Federal projects would this bill undertake? Only those Federal projects specifically authorized by the Congress and which meet the other requirements in the bill could be built. These could be small watershed, river and harbor, and flood control projects, public buildings, soil conservation, reforestation, water and sewer, and all the community facilities. The claim has been made—without foundation—that luxury items such as golf courses, swimming pools, and ski slopes could be aided under the bill. This is not true. The bill states that any project helped must "meet an essential public need." It is rather difficult for me to understand how you can talk of skiing being essential.

As I listened to the speeches that have been made here, I wondered if it had suddenly become dangerous to trust the President of the United States with all of the powers that we have always entrusted to whoever was the President. In all the years since I have been here, I cannot remember when the Congress ever said whether a Hill-Burton hospital would be built in St. Petersburg, Fla., or in the State of Alabama, or what low rent housing or urban renewal projects should be undertaken. The fact is that these responsibilities are left to the executive branch. I vigorously object to the wild charge that we are giving the man who is entrusted with the high office of the President of the United States some kind of imaginary "slush" fund. That claim was never made when Mr. Eisenhower was in office, and I do not think it is fair to make such charges now.

What kind of aid would be available for State and local public works? The bill authorizes Federal grants to cover 50 percent of the cost of local public works. The question was asked where a town that lacked financial resources would get the other 50 percent. I can name you plenty of small towns in Pennsylvania, Alabama, West Virginia, Florida, and all over the country that cannot float a revenue bond on reasonable terms. They do not have the financial standing that is necessary in order to do that. Under this bill, if a community cannot raise its share from its own resources or private lenders, it can borrow that 50 percent from the Community Facilities Administration. There is over $400 million in the public facility loan fund to meet this need.

How large would these projects be? The bill limits projects to small and medium sized projects through the requirement that most of the employment must be created in the first 12 months. This rules out any large undertakings such as dams.

What kind of local public works would be aided? Any local community facility for which the Federal loan or grant aid is authorized under existing law, except schools are eligible. For example, a grant could be used to help finance a water system or sewer lines, public building construction, sidewalks, and so forth.

What is the difference between this bill and the public facility grant provision in the ARA—Area Redevelopment Act? The aid for public facilities under ARA is strictly limited to those projects which are directly related to the creation of new permanent employment, such as a factory. The aid in this bill could be used for the whole range of public works, except for schools, as a matter of fact; and I want to touch briefly on that because those loans will be repaid, $2,500 million.

I have a letter from one of my distinguished colleagues that pointed out that there is $2.5 billion authorized but not yet used under existing programs. Let me point out that the $1 billion for urban renewal is for long-term contract commitments that cannot do anything for immediate employment. Let me point out also that the $500 million for Veterans Administration loans is confined to rural areas, and that two-thirds of that is used in buying buildings already built, and does not create new employment.

Let me point out also that the community facilities loan program is designed to meet our most urgent public facility needs; it is not designed to combat unemployment and the interest rate charged is too high for many communities which suffer from high and chronic unemployment.

Finally, Mr. Chairman, I want to answer the charge that the economy has not improved under the present administration.

When the Kennedy administration took over, the country was in the midst of a recession. Gross national product was only $500 billion, exactly the same level where it had been a year earlier. Since then, we have added more than $50 billion to the level of production measured by GNP, a gain of 10 percent.

When the new administration took over, nearly 7 percent of the labor force was out of work and the trend was upward. We have succeeded in reversing that trend, bringing the figure down to 5.3 percent.

At the beginning of 1961, corporate profits were running at a $40 billion annual rate and they were falling rapidly. By the beginning of this year, we had added $10 billion to corporate profits—fully one-fourth—and they are rising.

At the beginning of 1961, business was investing in new plant and equipment at an annual rate of $34 billion. Today the rate is up to $38 billion, a gain of over 10 percent. Proud as we are of these accomplishments, we are not complacent or satisfied. While the economy is rising, it is not rising fast enough, nor is there assurance that it will return to full prosperity in the immediate future. After the 1958 recession, recovery was brief and incomplete and we suffered another business slump. We must not let that happen again.

QUESTIONS AND ANSWERS PERTAINING TO THE PUBLIC WORKS EMPLOYMENT ACT (H.R. 10113)

Question: What would H.R. 10113 authorize?

Answer: The bill authorizes the appropriation of $900 million to expand employment through the construction of Federal, State, and local public works.

Question: Why do we need to spend this $900 million?

Answer: Unemployment has been above the 5-percent level continually for the past 5 years and there is nothing in recent statistics or business reports that indicates a rapid return to full employment.

Question: Where would these public works projects be located?

Answer: To assure that the program will have its first and greatest impact in

areas where unemployment is most serious, aided projects would have to be located in one of the cities or counties eligible under the Area Redevelopment Act or in one of the 122 other communities which have suffered from high unemployment—6 percent or more—for most of the past year. Altogether this comes to a little over 1,000 eligible places which are listed in the committee report.

Question: Will these eligible areas be the only ones to benefit by the bill?

Answer: Certainly not. The program will stimulate the entire economy through the purchase of construction materials and will have a multiplier effect as the incomes created are spent and respent.

Question: How many jobs would be created under the bill?

Answer: At least 150,000 jobs would be created in onsite construction employment and in the factories and mills which produce construction material. As the incomes generated are spent and respent, at least 150,000 additional jobs would be created through the country, making a total of at least 300,000.

Question: What kinds of Federal projects could be undertaken under the bill?

Answer: Only those Federal projects specifically authorized by the Congress and which meet the other requirements in H.R. 10113 could be built. These could be small watershed, river and harbor and flood control projects, public buildings, soil conservation, reforestation, construction in national parks and so forth.

Question: What kind of aid would be available for State and local public works?

Answer: The bill authorizes Federal grants to cover 50 percent of the cost of State and local projects.

Question: How would the community put up its share of the cost?

Answer: Where a community is unable to sell its securities to private investors at reasonable interest rates, it can borrow from the Community Facilities Administration. This agency has approximately $400 million available for this purpose.

Question: How large could these projects be?

Answer: The bill limits projects to small- and medium-sized ones through the requirement that most of the employment must be created within the first 12 months. This rules out any disproportionately large undertaking, such as dams.

Question: Could a community get these grants for something which is merely a luxury, like a swimming pool?

Answer: That would be impossible under the bill which states that any project aided must meet an essential need.

Question: How quickly could this program get underway?

Answer: Many projects could be started almost immediately and it is expected that most of the aid would be committed in a matter of months. Unlike some public works programs in the past, this aid would not be used for very large projects which have a long lead-time. There are a tremendous number of projects which would be eligible that are already fully planned and could be undertaken quickly if this aid were available. A list of over 500 projects in eligible areas, on which planning is completed but construction not yet started, or which are now being planned, was printed in the CONGRESSIONAL RECORD of August 23, 1963, just as an indication of the backlog which exists.

Question: What kind of local public works could be aided?

Answer: Any local community facility for which Federal loan or grant aid is authorized under existing law, except schools which are not eligible. For example, the grants could be used to help finance water and sewer lines, public buildings, streets and sidewalks, and so forth.

Question: Is this another depressed areas bill?

Answer: No, many areas not eligible under the Area Redevelopment Act are eligible under this bill. In addition, there is a clear difference in purpose and in the assistance provided. The Area Redevelopment Act is a basic long-term effort to cure fundamental economic problems and requires comprehensive planning as a first step. That law was never intended as a shot in the arm for employment. The public works bill is designed to meet the immediate problem of high unemployment in both depressed areas and other areas of high unemployment, and at the same time build useful community facilities which will make these communities better places in which to live and help their long-term growth. This bill will also stimulate the entire economy and create jobs throughout the Nation.

Question: What is the difference between this bill and the public facility grant provision in the Area Redevelopment Act?

Answer: The aid for public facilities under the Area Redevelopment Act is strictly limited to those projects which are directly related to the creation of new permanent employment, such as a factory. The aid in this bill could be used for the whole range of public works—except schools—which are justified on their own merit.

Question: Will not this $900 million increase the Federal deficit?

Answer: The principal threat to a balanced budget is the danger of a recession. The largest peacetime deficit in our history—$12 billion—came as a result of the 1958 recession. About three-fourths of that resulted from the loss of revenue and most of the rest came from increased expenditures such as temporary unemployment compensation. The economic stimulation that this bill would give would increase Federal revenues. Also, it should be kept in mind that we are currently spending $4 billion a year for unemployment compensation.

Question: Why would this bill authorize matching grants for projects now eligible only for loans?

Answer: Loan assistance may be adequate to meet ordinary community facility needs, but the present circumstances of high unemployment and uncertain economic outlook call for a more direct and effective aid.

Question: Could not the President use the $2.5 billion of unobligated funds under existing programs, such as urban renewal, VA, home loans, farm home loans, and community facilities, so that this bill would not be needed?

Answer: None of these programs would provide the right aid at the right places to meet the present problem of unemployment. Half of that total is for the urban renewal program and urban renewal is necessarily a long and time-consuming undertaking. Moreover, the first object of urban renewal expenditures is the acquisition of land and existing structures, and this does not create employment. The highly successful community facility program authorizes only loans and carries an interest rate of approximately 3¾ percent which simply is not enough aid to stimulate enough additional construction promptly. The home loans for rural areas under the Farmers Home Administration and Veterans' Administration cover many areas which, while lacking sources of private mortgage money, are not necessarily those in which unemployment is serious. Moreover, two-thirds of the VA loans are made to purchase existing homes and thus generate no employment. In contrast, H.R. 10113 is carefully designed to stimulate construction promptly and in areas of greatest need.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 2 minutes to the gentleman from Washington [Mr. PELLY].

Mr. PELLY. Mr. Chairman, I have asked for these 2 minutes in order to call attention to the RECORD of yesterday. When the distinguished gentleman from Alabama who just left the well of the House was discussing the senior citizens housing bill when it was considered yesterday, I directed a question to him. I asked if there was back-door spending in that bill, and I certainly understood him to say "No." However, when I read the RECORD this morning I found he had corrected his answer and indicated instead that there was some back-door spending in the bill. I know that of course the gentleman was not trying to misinform me. He simply changed his answer and by the same token I want to change the comment I made following his statement. I want to withdraw the comment I made that I was glad that there was no back-door spending in the bill. There was, and I am sorry, because I am against the back-door method of financing programs.

Mr. RAINS. I misunderstood. I want to give you the correct answer. I discovered it this morning also. I was thinking about new programs. The gentleman asked me if they were recommending back-door spending, which they were not. There was a continuation of one that had been going on for almost as long as we have been here, and there was a small amount of usual Treasury financing in it, but in the item I was discussing there was not. I apologize to the gentleman.

Mr. PELLY. No apology is necessary. I know, of course, the gentleman was not deliberately misinforming me. I want to retract my expression in the RECORD to the effect that I was happy about all provisions of the bill. I regret there was back-door spending and that there was increased borrowing authority which bypasses the procedure of annual scrutiny of a program by the Appropriations Committees.

Mr. RAINS. We had only continued the borrowing authority.

Mr. PELLY. But you increased it by $50 million, as I understand.

Mr. RAINS. I understood the gentleman to be talking about the new program. I apologize to the gentleman. I did not intend to mislead him.

Mr. PELLY. I want to assure the gentleman that I know he was making a statement the way he understood my question. Properly he corrected his answer. I want to correct my part of it too. The legislative branch loses control over finances where an agency of Government can borrow from the Treasury. I intend to oppose this device whenever it is included in legislation.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Chairman, it seems to me that we have an obligation, each of us, representing the people of our congressional districts, to be certain that any determination we make here at this time is actually from a fiscal standpoint in their best interests. All of our people are interested in the way we use the funds which we take from them in the form of taxes.

At the beginning of this year, the original budget submitted for the fiscal year 1963 was very narrowly in balance by about $453 million. About 3 months ago the Joint Committee on Internal Revenue Taxation, a committee set up by the House and Senate, estimated we would have a deficit of $3.8 billion for the fiscal year 1963.

Since that time the Treasury Department has made a determination to put into effect a speedup appropriation schedule which, according to the best estimates, will increase our already existing deficit for 1963 by an additional $1½ billion.

The President, a week ago last Monday night, made an announcement in his TV talk that he would recommend to the Congress, on January 1, a tax cut effective as of that time. That means the tax cut will be in effect for one-half of the fiscal year 1963. The exact details of the tax cut have not been announced, but from estimates available this would run to about $6 billion a year. For half of the fiscal year 1963, that would mean an additional reduction in revenues of $3 billion. Therefore, if we take the estimate of the Joint Committee on Internal Revenue Taxation, and a deficit of $3.8 billion is added to an additional deficit of $3.5 billion, due to the accelerated schedule, and add to that a reduction in revenue as the result of a proposed tax cut, we have a total deficit of $8.3 billion for the fiscal year 1963, and that is without considering the impact of the bill now before us.

This bill was not considered by the administration at the time the budget was submitted to us in January; therefore, no funds were in the bill submitted to us in January for this purpose. If we pass this bill authorizing $900 million of unbudgeted funds, whatever portion of that is spent in the fiscal year 1963 will be added to an estimated budget deficit of $8.3 billion.

Now, is it not proper for us as custodians of the tax funds to determine whether already existing funds made available to the administration by Congress have been utilized. It was evident that as of the time of the hearings on this bill that had not occurred, because 2 weeks ago the Department of Commerce made a public announcement that they were releasing 1 year in advance $1.9 billion of highway funds which otherwise were not anticipated to be released this year.

The Department of Commerce testified on that bill back in the latter part of March or April. Therefore, this one act of the Department of Commerce in releasing $1.9 billion 2 weeks ago in contractual authority for highways is going to pump into our economy twice as much funds as the total amount contemplated by this bill.

Now, the figures are shown, State by State, in the announcement made by the Department of Commerce. The State that would receive the largest single sum, according to the Department's figures, is the State of Pennsylvania. The State of Pennsylvania alone under this advanced highway allocation received $149,149,000, and every other one of the 50 States of the Union share in this figure. This would indicate one source that the administration witnesses had not contemplated when they testified for this bill. But there are other sources. There are six of those other sources listed in the minority report that was submitted in connection with this bill. The first of them was the Veterans' Administration direct home loan program. Available last year and this year was the total of $700 million in the Veterans' direct home loan program alone. Up to the present time only $250 million has been committed under this fund. This is available and could be utilized. Those are applications unhandled in the Veterans' Administration.

I would like to read a couple of brief quotes from the hearings on the second supplemental appropriation bill for fiscal year 1962. The hearings on this bill were held back in March and April. These are some questions which were asked of the Veterans' Administration representatives. I shall quote now from page 219:

> Mr. BOLAND. How about the charge that you are holding up $300 million in the veterans' housing program? What is the answer to that assertion?

The answer was given by Mr. Brownstein, of the Veterans' Administration:

> We decided on conducting a study, and we deferred drawing additional funds during the balance of the current fiscal year.

The next question asked by Mr. BOLAND was this:

> With respect to the applications for direct loans to veterans, what is the picture? Are some of the veterans who are looking for direct loans out of this program being hurt because of the activity of the Veterans' Administration?

The answer was as follows:

> We have about 37,000 on the waiting list for direct loans.

Mr. BOLAND asked another question:

> Did you come to this decision in view of the effect upon the President's budget?

The answer was:

> We were asked to look at all areas of our program activities to see where it might be able to effect some savings. Now we are working in this program, along with others. We did determine that it could be done here and that properly it should be done here.

Mr. Chairman, this clearly indicates that the Veterans' Administration withheld funds for which they had applications. They had 37,000 applications on file, and they are still withholding such funds; $450 million is unobligated at the present time.

Mr. Chairman, the point has been made by a preceding speaker that a considerable portion of the Veterans' Administration direct home loan requests are to purchase buildings that already exist. That may be true. But even if one-fourth of it were for new construction this would be 10,000 homes to be built across the country. In addition, many of those who get loans to acquire additional houses, relieve funds by the seller of the house which the seller, in turn, utilizes in some cases to buy or build new houses. Therefore this would be a tremendous stimulus to the economy and if the administration wants $900 million for the purpose of alleviating unemployment, is it not fair that we ask the administration first that it utilize the funds we have made available to them which they have not yet used?

Mr. Chairman, in the Farmers Home Administration housing loan program, which applied principally to rural areas and small towns, we authorized last year $430 million. Only $128 million has been obligated to date, leaving $302 million unobligated. Permit me to quote from the discussion yesterday in the CONGRESSIONAL RECORD when the gentleman from Mississippi [Mr. WHITTEN] raised this question. He said, and I quote from page 17684 of the CONGRESSIONAL RECORD, as follows:

> However, since the Farmers Home Administration went into the rural housing program, as against requiring that it be strictly farm housing, the demand has been so great that at the present time there has been a freeze order by the Bureau of the Budget on the use of those funds, accounting for all of the pressure that Members have been receiving from applicants and people back home, including the State Farmers Home Offices because at present there is a freeze order on allocating those funds. But they are in existence, and it will take only a release by the Bureau of the Budget to make them available.

Mr. Chairman, it seems strange to me that when the administration has put a

freeze order—and it was brought out in the debate yesterday and brought out in the testimony before the Committee on Appropriations in its second supplemental hearings—on the allocation of funds that the Congress made available to those agencies last year, it seems strange to me that at the same time the same administration is coming to the Congress and asking for $900 million of additional funds when it has not used funds in those two programs. Those are just two. There are other programs; the Community Facilities Administration, public facilities loan program; we authorized $650 million last year, and only $202.6 million was obligated as of last week, with $447 million still unobligated.

Urban renewal; we authorized $2 billion last year, and as of last week only $827 million was obligated, with $1.173 billion unobligated.

There is the Maritime Administration, for shipbuilding. I am particularly familiar with this because many of us from the coastal areas have had letters from practically every ship construction union in those areas pleading with the Maritime Administration to release the funds. Congress last year appropriated, together with carryover funds, a total of $153 million for ship construction. The Maritime Administration released only $89 million, leaving $64 million untouched, that the maritime ship construction unions all over the coastal areas pleaded with the Maritime Administration all last year to release. Democrats and Republicans alike from the San Francisco Bay area contacted the Maritime Administration to try to get these moneys released.

In the Area Redevelopment Administration, public facilities grants and loans were authorized in the depressed areas bill last year; $90 million for public facilities grants and loans. As of last week only $24 million was obligated and $66 million is not yet committed.

These six programs alone involve $2.5 billion of uncommitted funds at the present time. It certainly seems to me that we should say properly to the administration, "We have given you funds that would stimulate construction, funds that would stimulate employment." The testimony was given earlier that $900 million would produce 125,000 direct jobs and that many more indirect. What about the $2.5 billion already available and not yet used? Is it not proper for us, as custodians of the taxpayers' funds to first ask the administration to make maximum utilization of these funds before coming to us for additional funds?

It is frequently said in court that you do not come into court with clean hands unless you first prove that you have done everything possible to do justice. Here we have agencies that have not done everything possible to make available the funds that we authorized last year at the request of the administration. Those funds have not yet been used.

Mr. Chairman, one further point, and that is the question of the transfer of authority from the Congress to the President. The point has been made by the preceding speaker that in his opinion this bill provides no change from what has been done in the past. But that is not the case. He pointed to the Hill-Burton program. We do not select specific hospitals, he said; no, we do not. But we appropriate funds for that specific program, the Hill-Burton program.

He pointed out with respect to the housing program that we do not select specific public housing projects. No, we do not, but we authorize a specific sum of money for the housing program. We have never up to the present time given the administration a pool that could be allocated to the housing program, to the Hill-Burton program, to community facilities, to veterans' home loans, to the Park Service, to Corps of Engineers' projects, to Bureau of Reclamation projects. We have never given such a blanket authority as that, a complete looseness and transfer of funds from one program to the other without any further control on our part.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BALDWIN. I yield to the gentleman.

Mr. BENNETT of Michigan. Mr. Chairman, I know the gentleman is interested in districts like mine—there are a number of them throughout the country—where we are having a serious depression and have had one for several years. It is worse now than it was a year ago, and it was worse a year ago than it was 2 years ago. We are out of business, as I said this morning, primarily because of a free trade policy that Congress has put on the books. It has been on there for 15 or 20 years. We have extended it recently to a point where we admittedly now are going to put additional businesses and industries out of business and throw perhaps millions of people—God knows how many, nobody seems to have the figures—out of jobs. What is the answer to it? I know the gentleman is against this bill. Maybe this bill is not the answer to the problem in my district or in similar districts, but my people are out of work and many of them have their unemployment benefits exhausted. They are out of jobs solely and simply because of the free trade program enacted by Congress. And it is going to be worse. The few industries we have left are going to be emasculated once this broad, unlimited power that the President is given under this recent bill takes effect.

Mr. BALDWIN. If I may answer the gentleman's question, I voted, as I think most of the other Members on the floor voted, for that provision of the bill which was on the floor, the Trade Expansion Act, which made available for the first time funds to be utilized for any industry or any men that were thrown out of work by way of the act, funds for additional compensation and retraining. I also voted earlier this year for over $400 million for a separate retraining bill. It seems to me those are the provisions that are going to make an effort to attack the problem the gentleman mentions, which would be any additional displacement under the trade program.

Mr. BENNETT of Michigan. Does not the gentleman agree that is a welfare-type program?

Mr. BALDWIN. I do not think a retraining program is a welfare-type program; no.

Mr. BENNETT of Michigan. The relief that is going to be given to industry that is going to be emasculated and put out of business is a welfare program as well as the unemployment program for workers.

Mr. BALDWIN. The retraining program in my opinion is not a welfare-type program.

Mr. BENNETT of Michigan. Retraining is just one feature.

Mr. BALDWIN. We authorized $400 million for retraining in a separate bill earlier this year, plus the provision in the trade bill. Those are specifically designed for the areas the gentleman mentions.

Mr. BENNETT of Michigan. The retraining program is a wonderful thing. It is a wonderful thing to be able to give a person a 3 months, 6 months, or a year's course in some trade. But where are you going to put him to work after you train him? That is the answer nobody seems to have. You are going to have more people out of jobs and put more industry out of business, so you are retraining people and spending $400 million, as the gentleman says, to retrain them for what? To go to Europe or China, to work where we are spending this money?

Mr. BALDWIN. It seems to me the gentleman is arguing the merits of the trade bill. I do not think this is the day that will be decided in this bill.

Mr. BENNETT of Michigan. The trade bill has a lot to do with this bill, in my opinion.

Mr. BALDWIN. I understand that. I will say that the Congress last year gave the administration authority in the so-called depressed areas bill, the redevelopment bill, to do certain things. When we had our hearings on the bill, the Governor of the State of Michigan said there were innumerable applications before the authority and not a single one had been approved in that time for grants or loans. But that is not the fault of the Congress. I think we should ask the administration to make maximum use of these funds before they ask for more.

Mr. BENNETT of Michigan. I agree that the redevelopment plan has not worked out expeditiously or as the authors of the bill thought it would, although I gave the bill my vote thinking it would be of some help. But it seems to me somewhere along the line the Congress has a responsibility to these people and the businesses that have been put on the rocks because of these laws that have been passed down here in favor of foreign people.

Mr. GRAY. Mr. Chairman, I yield such time as he may require to the gentleman from Pennsylvania [Mr. RHODES].

Mr. RHODES of Pennsylvania. Mr. Chairman, I rise to support H.R. 10113, the Public Works Coordination and Acceleration Act of 1962.

As part of a comprehensive economic program, this legislation should go a long way in fighting unemployment in the Nation's depressed areas through the construction of needed public facilities.

Despite the recent upturn in the economy, unemployment still remains far above tolerable levels. Four million Americans are now looking for jobs and cannot find them. Of this number, 1.5 million have been without work for 15 weeks or more and 700,000 have not had employment for more than 27 weeks. A good many of these people live in the Nation's depressed areas where the conditions and effects of the great depression linger on.

In the State of Pennsylvania there are almost 50 such areas of economic distress. To cite just one example, the two counties that have been added to my former congressional district are among those hardest hit by unemployment in the entire Nation. In Schuylkill County 10.6 percent of the working force is unemployed. In Northumberland County 7.1 percent are jobless. In these two counties and hundreds like them throughout the Nation, millions of Americans live without hope for their families, without confidence in the future, without faith in their public officials and government.

Passage of this emergency public works acceleration bill will help the people of the anthracite regions reduce unemployment and also attract new industry.

This bill should induce a prompt expansion of employment in those areas suffering from the most serious economic problems—areas such as the coal regions of Northumberland and Schuylkill Counties. It will do so by authorizing an appropriation of $900 million from which the President can make 50-percent grants for a wide range of community facilities.

These grants can be used to help finance water and sewer facilities, public buildings, streets, and sidewalks, and practically any other public works—except schools—which meet an essential public need.

The coal regions of Schuylkill and Northumberland Counties are badly in need of such projects. The Schuylkill County Planning Commission, in its initial overall economic development plan for the county, stated that probably the greatest physical need of the entire redevelopment is due to the lack of public sewers, water facilities, and roads, both to serve community needs in general and to meet requirements for industrial development.

In fact, the commission's report stated that the main impediment to the physical development of Schuylkill County's industrial parks is the lack of adequate public facilities.

Such needed facilities would be eligible for assistance under this public works acceleration bill.

Seven communities in Schuylkill County have already applied for Federal assistance in planning for sewer systems. The communities of Pine Grove, Tamaqua, Orwigsburg, Port Carbon, Cressona, Ashland, and St. Clair, have each applied for planning assistance for sewer systems, the total estimated construction cost of which will be $4,614,889. These projects may be eligible for 50 percent assistance under the public works bill. If all of them are so eligible, the cost of construction borne by the communities will be reduced to $2,307,445.50.

More important than the physical facilities that will be built are the men who will be given work under the program. Every penny spent for public works will be money put directly into the income stream. This means that those put to work on these projects will have money to spend in the community for retail goods and services. This will have a good "multiplier effect" which should provide a real shot in the arm to the economies of the coal regions. This will also mean fewer men on relief or drawing unemployment compensation.

Passage of the bill will be very gratifying personally. I introduced a similar bill last year, while Senator JOSEPH CLARK authored and managed through the Senate a comparable piece of legislation. We have been fighting for such legislation for a long time. This bill is an important part of President Kennedy's economic recovery program.

While much has been done and is being done by this Congress and the Kennedy administration to alleviate these conditions of unemployment, much remains to be done. To be sure, the Area Redevelopment Administration, the manpower development and training program, and the Federal Housing Administration are all doing their part. But these are basically long-range programs whose full effects will not be felt for a number of years. What is needed now—and what this bill attempts to do—is to create some short-term measure to provide job opportunities for the unemployed while our long-term programs can mature and become effective.

This bill, which will unleash $900 million of Federal moneys for the construction of public works and facilities, would make a prompt and substantial addition to employment and incomes not only in our depressed areas, but in the Nation as a whole. Combined with matching funds from State and local governments, the total construction spending generated in the coming year under this legislation would amount to approximately $1.5 billion. Over 150,000 new jobs would be directly created with about one-half in the communities where projects are undertaken and the other half in areas which will supply the cement, lumber, equipment, and other construction materials.

In addition to this, as the $1.5 billion is paid out, it will be spent and respent giving it a multiplier effect which will add several billions of dollars to the total national income. This additional income and spending will provide markets for a greater output and greater employment throughout the country. It will give our businessmen the assurance that they will have a growing market and that moneys put into new plant and equipment will be well spent.

There are those, Mr. Speaker, who will label this and all public works legislation as "wasteful spending." But what is more wasteful than the waste of idle men, idle machines, and idle brainpower? The overall cost to the Nation in terms of production lost by excessive unemployment in recent years runs to untold billions upon billions of dollars.

In 1961 unemployment averaged 6.7 percent of the labor force. If that rate could have been lowered to 4 percent, our gross national product would have been over $560 billion instead of the $521 billion actually realized. This represents a gain of almost $40 billion. For the decade of the 1950's as a whole, the Council of Economic Advisers has estimated that the total loss of national production from underutilization of our resources exceeded $175 billion—almost $1,000 of goods and services for every American citizen.

In addition to this, unemployment means heavy expenses for unemployment compensation payments. Over the past 10 years, $24 billion has been paid out to jobless families who needed and deserved this income, but who, along with the Nation, would have benefited more if employment had been available.

Unemployment also means lost tax revenues which are essential to keep the Nation on a sound fiscal basis. The record clearly indicates that the Federal budget can be balanced or a surplus achieved only at high levels of employment. It should not be forgotten that the largest peacetime deficits were experienced in years when unemployment was highest. The additional jobs created by this bill and the stimulation of the economy which will result from it will increase revenues at all levels of government—Federal, State, and local.

I am confident a public works program in these areas of unemployment will make for a stronger and healthier America. For the long-term unemployed, job opportunities created under this bill would mean better food for the dining room table. It would mean better clothes for wife and family. In some cases it would mean that a worker and his family could look beyond the needs of the day and think of future plans and opportunities.

In addition to this, the projects completed under this program will not only restore dignity and worth to the individual but create real wealth in new capital plant and equipment.

The last massive public works program was undertaken during the early years of the New Deal. Any objective study of that program stands as a tribute to its soundness and benefit to the entire economy. In the first 4 months of that program, 40,000 schools were built or improved, 12 million feet of sewer pipe were laid, 469 airports were built, 529 were improved, 255,000 miles of road were built or improved, and 3,700 playgrounds and athletic fields were

built or improved. What fair and just person can refer to such accomplishments as "pork" or wasteful spending?

Since that last major effort to put our jobless back to work and care for the Nation's public needs, there have been two major wars, four economic recessions, and the staggering costs of peacetime defense. For years, pressing public needs have taken a back seat to more important defense and private charges. Because of this, there is a widespread shortage of classrooms, hospitals, clinics, public buildings, parks, and recreational areas.

The problem of unemployment is not a sectional one but a national one. It is not a political or partisan problem, but a bipartisan one. No civilized nation can complacently sit by while millions of its fellow citizens lack the opportunities and means to earn their fare.

Certainly, no one believes that one public works program by itself will solve the Nation's unemployment. It will, however, provide needed short-term relief. It will help to rebuild and revitalize our cities and municipalities. It will help to fill the gap until the administration's long-range programs to increase our rate of economic growth can mature and have their full effect.

Mr. GRAY. Mr. Chairman, I yield such time as he may require to the gentleman from Pennsylvania [Mr. TOLL].

Mr. TOLL. Mr. Chairman, our country has long been faced with two major problems: The unemployment rate and the inability of local governments to keep abreast of the ever-increasing demand for public works and the services they provide. The bill presently before us would be a major step toward the solution of both of these problems. The proposed program will have greatest effect and impact in areas where unemployment is most serious, bringing immediate relief to those areas. At least 300,000 new jobs would be created by the new construction provided for under this measure, a substantial boost would be given to the economy throughout the country and tax revenues on both national and local levels would increase. Furthermore, vitally needed public works projects to provide better and more efficient services could be initiated immediately. For example, funds would be used to aid in construction of water and sewer lines, public buildings, streets and sidewalks.

Under the provisions of this measure, the great city of Philadelphia would be immeasurably aided. In fact, any urban area today which suffers from underemployment and is in need of necessary public works would reap great advantage from this legislation. Not only is employment stimulated and these additional jobs create a demand for new goods and services, but the countless suppliers in construction and related fields would find their business position vastly improved. Public works projects immediately inject new life into the economic stream of any area, with resulting benefits to both merchants and workers as well as the economy as a whole.

Our votes today for this bill would promote the improvement of business activity and employment as speedily as possible, while contributing to build the foundation for future progress. I strongly urge the Members to support H.R. 10113 to enable our economy to move forward, to provide necessary public works and employment, and to increase nationwide prosperity.

Mr. GRAY. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Oklahoma [Mr. EDMONDSON].

Mr. EDMONDSON. Mr. Chairman, I think that of all of the works of this session of the 87th Congress this is perhaps the most important and the most significant for more than 1,000 communities and counties across this Nation. The gentleman from Michigan [Mr. BENNETT] put his finger squarely on the central point just a few minutes ago in the question he directed to the gentleman from California when he pointed out that this program is aimed directly at the unemployment problem. It is a program aimed directly at providing jobs where the unemployed people are located. With all respect to my good friend from California, who ran off a long list of programs on which we have money available today, only one of those he mentioned, area redevelopment, is a program which is pointed and directed by the Congress at the place where the unemployment exists. All the rest of them are just as likely to create activity and construction in places where you have employment at an adequate level today. But this program by its very terms and by the conditions imposed under it must concentrate its impact in the areas where the men are out of jobs. That is an absolute imperative of this program. It is a direction and a control placed in it by Congress that makes this piece of legislation the most important piece of legislation we will act on in this session for the more than a thousand communities in the Nation where unemployment is a pressing problem.

If you really want to go on record with a vote to do something constructive and definite for the unemployed of America, this is the bill where you have the opportunity to cast that vote. This is your major opportunity and perhaps the only opportunity you will have in this session to do something direct and constructive in that area.

When I was in law school in Oklahoma more than 20 years ago the elderly dean of the law school, who has since passed on, told us that one central thing every lawyer ought to remember is that good law does not blow hot one minute and cold the next, and he said that a good lawyer should not blow hot one minute and cold the next when he is trying to argue points in a case. But if I ever heard a blow-hot, blow-cold argument on the floor of this House it was made a few minutes ago by a member of our committee whose ability as a lawyer has been unquestioned during the time he has served here, the gentleman from Florida [Mr. CRAMER]. Let me give you perhaps the best illustration I have ever seen on this floor of blowing hot blowing cold on an argument to the House of Representatives. The gentleman from Florida says the first big objection he has to this bill is that it is the biggest blank check ever given to a President—$900 million; we are handing him that as a blank check. Then almost in the same breath he says, but the money that is authorized here is not enough to help unemployment in the United States.

The check is too big in one breath, and in the next minute the check is not big enough to help meet the problem that we have in this country.

He says he objects to it—this is argument No. 3—because the Presidential power is practically unlimited, there is absolutely too much power vested in the President in this bill. Then he turns around a breath or two later and says this bill is too restrictive to make performance possible for many communities in this country.

Then he refers to section 10 on page 19 in one breath and says the President's power is too great. One breath later he says the power is not great enough.

To continue this blow hot-blow cold business a little further he objects to this bill, because it allows the Executive to invade the prerogatives of Congress. Then he complains because the bill sets forth particular areas of eligibility and objects to it on the theory that congressional committees are just not competent to determine what areas should be in this program. In one breath our friend from Florida wept over the loss of congressional prerogative in this bill, but in practically the next breath he questions the competency of a committee of Congress to legislate on matters such as this.

This is typical, to my way of thinking, of the arguments that have been advanced on the other side against this bill. In one breath we do not have enough money to meet the problem; in the next breath we have far too much. In one breath there is not enough expenditure to make any impression and in the next breath the expenditure is way beyond reason. But of all the arguments so far advanced against this bill the unfairest one is the charge in the minority report, repeated on the floor by my good friend the gentleman from Kansas [Mr. AVERY], that this is a bill which plays politics, and it permits the President to play politics. I think the language of the minority report is that it permits Presidential purchase of political support and Presidential payment of political obligations. This has already been answered very adequately by the gentleman from Alabama that Presidents, constitutionally, historically, and legally, have always had this kind of power. But how has this administration wielded the power that it has had in this field? I think the Kennedy administration record in this area is as fair as the record of any administration in this century, and you can look at the bills that have been passed by this Congress under the authorship of our good friends

on the Republican side of the House, under the authorship of our friends on the Democratic side of the House, and you will find administration support fairly distributed among the projects that have merit.

We reviewed, after this argument was made a little bit ago, the 204 projects that are now pending before the Public Works Committee waiting for action by the Public Works Committee, which have been reported favorably by this administration. Mr. Chairman, of the 204 projects, 103 favorably affect districts with Republican representation; 103 out of 204 projects favorably recommended by the Budget Bureau and by the departments of this administration favorably affect Republican districts in this House.

Who are some of the Republicans enjoying this kind of political preferment, if you please, if this is what they say it is? They include such stout supporters of the Kennedy administration program as the minority leader, the minority whip, the national chairman of the Republican committee, the keynoter at the Republican Convention in 1960—yes—and the gentleman from Florida [Mr. CRAMER], not once, not twice, but three times in projects favorably reported by this administration. Yet they have the unmitigated audacity to come on the floor of the House and say that this is a politically minded administration that is playing politics with projects of this kind.

Mr. Chairman, the record is clear, and I think it reflects credit upon the administration in this area. They have been calling the shots as they see them, they have been reporting these projects on their respective merits, and they will continue to do so under this program when we have enacted it into law.

This is not just a regional program, it is not a program for a few parts of the country. The record shows in the list of communities that are eligible 32 States and Puerto Rico are eligible for section 5(a) assistance under this program. Forty-four States, plus American Samoa and the Commonwealth of Guam, Puerto Rico, and the Virgin Islands are eligible under section 5(b). In the substantial unemployment areas you will find 41 major areas in 19 States, and 91 smaller areas in 33 States of the Union. Practically every State in the Union stands to benefit from this program, practically every State in the Union has unemployment problems that will be helped by it.

I submit to you we do a good thing for the country, and certainly we do a good thing for the unemployed of the country, when we enact this bill, as I am confident this House will.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from Wisconsin [Mr. BYRNES].

Mr. BYRNES of Wisconsin. Mr. Chairman, I think most Members have by now seen the Secretary of Agriculture's latest offering, "Packet for the Bride."

It is an attractive brochure, with a picture of a demure bride in pink on the cover, and containing 10 agricultural publications and a letter of congratulations from the Secretary of Agriculture.

It is, I suppose, the first in a series. First, "Packet for the Bride," then "Gadgets for the Groom," followed by "Incidentals for Infants," and topped off, I imagine, by "Miscellany for Mothers-in-Law," all of them designed, written, printed, gathered, packaged, stuffed, sealed, and mailed at taxpayers' expense.

"Packet for the Bride" is entirely in character with this administration. It is typical of the way voters are compartmentalized, propagandized, and subsidized by the New Frontier. It is entirely in keeping, for example, with the bill now before us.

But, this is no "Packet for the Bride."

This is a "Bundle for Bailey," a $900 million package that can be justified on only one count—that it will win votes—either here in Congress, by methods known to you all, or among the voters, by offering carefully selected areas something for nothing.

The debate has shown that this bill is nothing more than an irresponsible spending bill containing an almost unprecedented grant of legislative power to the Executive.

I love brides, Mr. Chairman—I even married one—but I do not think we should insult them with "Packets for the Bride."

I love voters, too, Mr. Chairman, but I do not think we should insult them with this "Bundle for Bailey."

If we are going to package things, I would suggest a different kind, something like "Savings for Taxpayers," and the best way I know to begin is to send this bill back from where it came with a resounding defeat.

Mr. AUCHINCLOSS. Mr. Chairman, I yield such time as he may desire to the gentleman from New Jersey [Mr. WALLHAUSER].

Mr. WALLHAUSER. Mr. Chairman, while the stated purpose, to reduce unemployment, of H.R. 10113 is praiseworthy, the method taken to do so under this legislation is so unrealistic as to make its defeat necessary in the public interest.

It proposes to give the President a blank check up to $900 million to accelerate the construction of public works. It contemplates the appointment of a coordinator, who might more properly be called a czar, to administer the program.

The whole history of public works spending shows that it is not effective because it takes too long to start and produces too few jobs.

The President has huge sums of money at his disposal now—$2.5 billion unobligated—and it would make more sense, it seems to me, to proceed expeditiously with already authorized programs.

Beyond the fact that the amount of $900 million is unbudgeted, and would therefore increase the already heavy anticipated deficit, this bill would eliminate congressional control over certain appropriations and would result in a massive transfer of power from the Congress to the President.

If the taxpayers of this country are to receive a tax cut in 1963 as a stimulant to the economy, as promised by the President, this legislation is completely unnecessary. It would result in more, rather than less, spending, which should accompany a tax reduction and would certainly be a boondoggle.

Mr. AUCHINCLOSS. Mr. Chairman, I yield 15 minutes to the gentleman from Iowa [Mr. SCHWENGEL].

Mr. SCHWENGEL. Mr. Chairman, I come before this Committee to testify as strongly as I can against what I call one of the most poorly written bills I have ever seen presented to our committee. I believe also it is inadequate, it is unsound; and, in view of the testimony that we have already heard, I believe if facts have any weight, we will defeat it. I think the Republican Members who have taken the podium here and pled the case have already stated all that needs to be stated. So I shall not reiterate or dwell at length on anything they have said.

Before proceeding further I want to say that I have considered it an honor and privilege to serve on the Public Works Committee of the House. It is one of the most important committees of the House. In the 8 years it has been my honor to serve on that committee, we have brought out some very significant and some very worthwhile legislation. Most of it is doing the country good, much more good than this bill could possibly do.

I find it hard to take issue with some of my friends on the other side, whom I respect so highly, but I must as strongly as I can save them from what I believe to be their own mistakes. From some of their arguments we get the idea that the Republicans are not interested in public works, that we are not interested in relieving the unemployment problem that is critical, and it has got more critical under the administration, mainly because business lacks confidence in the present administration, and also because the public is losing confidence for various reasons.

I have said, and I believe sincerely, that most of this bill does not make sense.

It does not save dollars. It wastes dollars. It will not get the country moving again. But the country can get moving again if this administration or someone else get its foot off the projects that have been authorized and passed by this Congress and signed by the President. Those projects have been called to the attention of the members of the committee very effectively by the speakers who have preceded me.

Mr. Chairman, in the brief time that I have I should like to stress a little bit a point that was made by a preceding speaker relative to the 196 projects I thought—the previous speaker says 204 projects—that are before our committee awaiting our action for authorization

and then to be brought to the floor of the House. I am glad to note that this is a bipartisan attempt and, perhaps the fact that there are probably more projects that reflect favorably on Republican districts than there are on Democratic districts may explain why we have not had a chance to act on this bill yet. I felt that this was an important point so last week, I had placed in the RECORD a list of the 196 projects awaiting our action before this committee, projects which I think will not be acted on by this administration, based upon the way things now look.

Mr. Chairman, I want to call the attention of the members of the committee to the fact that this does involve projects in 43 States. In the State of Arizona we have three. I think the record should show—and I hope the members of the committee will bear with me while I read these into the RECORD—a list of the breakdown:

Arkansas has 3, California 17, Connecticut 4, Florida 13, Georgia 4, Idaho 3, Illinois 14, Indiana 1, Iowa 4—and I might say none of these are in the First Congressional District of Iowa, which I have the honor to represent—Kansas 4, Kentucky 2, Louisiana 5, Maine 5, Maryland 1, Massachusetts 7, Michigan 9, Minnesota 4, Mississippi 2, Missouri 5, Nebraska 1, New Hampshire 2, New Mexico 2, New York 8, North Carolina 6, Ohio 10, Oklahoma 5, Oregon 3, Pennsylvania 5, Rhode Island 3, Texas 15, Virginia 4, Washington 6, West Virginia 3, Wisconsin 5, Wyoming 1, and Puerto Rico has 1

Mr. Chairman, there are a number of other projects that are in the mill and on their way in which many Members of Congress have a great interest. Because this involves the expenditure of some $4 billion, at least, I think it is high time we got action on this bill first before we take up a crazy proposal like the one that is pending before us at this time.

Mr. Chairman, may I reiterate what some of my colleagues have said, by reminding the Members of the Committee again of the fact that this bill will not accomplish its stated purpose, and that is to provide immediate work for a substantial number of unemployed and underemployed persons.

Mr. JENSEN. Mr. Chairman, will the gentleman yield?

Mr. SCHWENGEL. I would be very glad to yield to the gentleman from Iowa.

Mr. JENSEN. Mr. Chairman, I have been listening with great interest to the gentleman's opposition to this bill. I wish to compliment the gentleman on the position which the gentleman is taking, which is simply, as I understand it, this: If we in this Congress are sincere in our attempt and desire to put people to work, we could take up a number of those projects which the gentleman has mentioned and which are already authorized, and which have been heard by the gentleman's committee at quite some length and which have been approved by the committee, and appropriate for a number of those worthy projects which cover many States and many districts.

Mr. SCHWENGEL. Yes.

Mr. JENSEN. Certainly that would be the proper way to legislate and it would not be a deviation from our regular procedure of legislative action. I should hope, if this bill is defeated, the committee would consider some of these projects that are greatly needed, many of them flood control projects, where life and property are at stake and where many people could be employed.

Mr. SCHWENGEL. The gentleman raises a very valid point. I think he is absolutely right. It is my hope now that we will not wait on this bill but prepare forthrightly to hear testimony in our committee on these, that I find out now are 204 resolutions for us to act on, that make a lot more sense than the provisions of this bill.

I mentioned the fact that this will not take care of the stated purpose. We have had testimony from both sides. Mr. Meany testified before our committee that this would employ some 250,000 people at most. On cross-examination we finally got him to admit that it would actually take care of only about 125,000 people, if the entire amount were spent. This is just a drop in the bucket. It is less than 3 percent of the total of unemployed and proves, I believe, the unsoundness of this approach to the solution of the problem.

I have received some letters from labor leaders from my district. I am one of the Republicans who gets a great deal of labor support in my district. I am not ashamed of that support; I am proud of that support, because we have good, sound, decent labor in our district and in the State of Iowa. So I called some of them about this and I said to the person I was talking to, "You sent me this letter and asked me to support this bill." Then I asked him a few questions about it, and I found out that he did not know anything about it. I made some observations about it, that he had not known about. And I referred to Mr. Meany's testimony. And do you know what he said? He said, "You are in Washington to represent us, so you use your better judgment."

So I will say to those Members who get these letters, remember that they are prompted by someone. It ought to be perfectly obvious that this is entirely inadequate and it is unsound. It is not the right approach. We ought to use the regular procedure the Congress has adopted and that the gentleman from Iowa who spoke just a minute ago, referred to. He has been very generous in the matter of public works projects, and helpful to them whenever the cost-benefit ratios were in line, and where it made fiscal sense. I think it would make a lot more sense for us to follow the regular procedure and to get moving on the projects that have already been approved, and which would do a lot more to relieve the problem of unemployment. I think you would be doing a lot more for the unemployment problem going this route than you can going the route that is suggested in outline in this new, revolutionary and unnecessary plan.

Mr. Chairman, I would like to call attention now to some testimony that was placed before our committee by a distinguished and a respected member of a previous administration. I should like to remind the Committee that public works construction has never been effective in achieving anticyclical results during an economic recession.

Public works programs take so long to get going that they generally do not provide much additional employment until recovery is well underway. Experience has shown that public works projects of any size require a considerable period of time for the making of surveys, economic and engineering studies, preparation of plans and specifications, acquisition of land, and the advertising for bids, all of which must be accomplished before contracts can be awarded and actual construction commenced.

Even additional time may be required for the commencement of Federal-aid projects by States and local governments, for it is necessary to establish criteria for Federal grants, receive requests for assistance, determine which projects are to be assisted, and assure that the State or local government has adequate funds to pay its share of the cost of the project.

Depending on the size, type, and existing status of projects, there may be a lapse of from several months to 2 or more years between the time that a project is financed and work is actually commenced, and the creation of new jobs will be deferred accordingly.

The only partially successful anti-recession public works construction program undertaken during the postwar recessions was the expenditure of $400 million for Federal-aid highway construction authorized by the Federal-Aid Highway Act of 1958.

This act, which was approved on April 16, 1958, required contracts to be awarded prior to December 1, 1958, for completion of projects by December 1, 1959. Many of the highway improvements undertaken under this authority consisted of work which did not require extensive engineering or acquisition of rights-of-way, such as resurfacing of highways and widening of shoulders. However, even in carrying out this simple program, an average of 4 months elapsed between the time that projects were programed and contracts awarded for construction.

On January 13, 1961, Maurice H. Stans, Director of the Bureau of the Budget, transmitted to the President a staff report entitled, "Federal Fiscal Behavior During the Recession of 1957–58." In this report Mr. Stans reviewed the fiscal policies in effect and the fiscal actions taken in the 1958 recession and the results obtained therefrom.

I believe all the Members of the House ought to read this report in detail. You will find it really very helpful as you consider propositions like this.

Among the major findings of the report are that the fiscal actions of the

Government which gave the biggest boost to the economy in 1958 were the built-in stabilizers, such as automatic decreases in income tax revenues and automatic increases in unemployment benefits; whereas, many of the deliberate countercyclical actions including some of the largest in terms of expenditures, made a small contribution in relation to their budget cost or were poorly timed.

Mr. Chairman, as I pointed out earlier, the unemployment relief that would come from this would affect less than 3 percent of the persons now unemployed.

The hope that it holds out would result in dismay, disillusionment, and despair and would prove again that this type of an approach is a wrong approach.

Further, it is my feeling that what we need is better public policy emanating from this administration rather than more public projects.

The bringing of business to Washington where we already have more business than we can attend to does not make sense. The abrogation of congressional responsibilities and the furthering of executive control makes us emulate a frontier that is not new and this is entirely inconsistent with the very interesting and I might say magnificent observation by an American statesman when he said "Ask not what your country can do for you but ask what you can do for your country." This is a salutary admonition; it needs to be lived and practiced and not just said. Its application will lead us to other and better answers to the problem.

Mr. WAGGONNER. Mr. Chairman, I ask unanimous consent that the gentleman from New Jersey [Mr. GALLAGHER] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. GALLAGHER. Mr. Chairman, one of the pledges of this administration and of those who support it is to achieve full employment. I believe that the bill presently before the House, the public works acceleration bill, will take us another step toward realizing that goal and I urge my colleagues to give it their support.

The purpose of the public works acceleration bill is to stimulate employment in areas where a high rate of unemployment exists. The bill authorizes the appropriation of $900 million to expand employment through the construction of Federal, State, and local public works. Public works projects eligible for Federal grants under the bill will have to be started almost immediately after the bill becomes law. Only those projects which will help reduce local unemployment and which can be substantially completed within 12 months after they receive aid will be eligible for assistance.

The bill provides Federal grants of up to 50 percent of cost to help finance such public works projects as water and sewer lines, public buildings, streets and sidewalks, and so forth. No aid will be given for luxury projects such as swimming pools. Only those projects which fill an essential public need will be eligible.

The Public Works Committee estimates that a total of 300,000 jobs would be created throughout the country as a result of this act.

Mr. Chairman, Jersey City, N.J., which forms part of the 13th Congressional District and which I have the privilege of representing in the Congress, is eligible for assistance under the terms of this act. It is an area of high unemployment where a skilled labor force is ready and waiting to make an important contribution to the economic strength and security of our country.

I would hope that anywhere from 500 to 1,000 jobs will be created in my district as a result of the projects begun there as a result of this act. Although officials in Jersey City and in the Federal agencies administering this act will have to make the final determination, such projects as the Hudson County administration building and the Jersey City hall would be eligible for assistance under the bill.

Mr. Chairman, at a time when an intolerably high rate of unemployment exists in this country and when full production and employment is of vital concern for our economic strength, we should take all reasonable steps to increase employment and production. This bill is a reasonable and helpful bill and I urge my colleagues to join me in voting for its passage.

Mr. WEAVER. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD and include extraneous matter.

The CHAIRMAN. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. WEAVER. Mr. Chairman, it has long been my firmly held conviction that if our Nation is to continue to grow economically so as to meet the needs of our physical, or population growth, we must work now to begin developing our total natural resources. Only with this sort of program can we hope to have that kind of substantial economic growth which will withstand the test of time and the erosion of the business cycle ups and downs.

I have held this belief all of my life. I have acted on this conviction steadfastly throughout my career. I have worked for this sort of program both in and out of the Congress. I have worked with those in the executive branch, through two administrations, in an effort to help develop this kind of program.

Along this line, on April 7 of this year I went to the White House with representatives of the National Rivers and Harbors Congress of which organization I serve as chairman of its projects committee. We conferred at some length with Mr. Henry M. Wilson, Administrative Assistant to the President and his top adviser on resource development. At that time I pointed out to him that in the Corps of Engineers alone there is a backlog of active projects totaling 217, with a total Federal participation value of nearly $4 billion. These projects have all been authorized by the Congress but none of them had at that time come under construction and it did not appear likely that any would come under construction during the current or next fiscal year.

In three States alone, Washington, Arkansas, and Montana, there is a Corps of Engineers backlog big enough to use up every cent contemplated for authorization in the bill now before us. There is a backlog of more than $900 million in those three States.

The list as supplied to me by the Corps of Engineers follows:

CORPS OF ENGINEERS, CIVIL WORKS

Construction, general authorized projects not yet under construction (active projects only), fiscal year 1963

State	Number of projects	Amount
Alabama	11	$264,488,000
Alaska	5	18,605,000
Arizona	5	19,510,000
Arkansas	11	374,211,000
California	25	243,189,000
Colorado	1	21,000,000
Connecticut	12	30,937,000
Florida	5	161,120,000
Hawaii	4	22,436,000
Idaho	3	6,016,000
Illinois	21	149,828,000
Indiana	7	171,989,000
Iowa	4	73,795,000
Kansas	8	105,846,000
Kentucky	6	90,160,000
Louisiana	1	264,000
Maryland	1	780,000
Massachusetts	13	11,897,000
Michigan	8	41,786,000
Minnesota	3	7,170,000
Mississippi	2	27,736,000
Missouri	3	149,030,000
Montana	2	329,246,000
Nebraska	3	3,042,000
Nevada	2	14,028,000
New Jersey	11	43,211,000
New Mexico	2	65,100,000
New York	17	84,872,000
Ohio	11	106,073,000
Oklahoma	4	194,700,000
Oregon	15	79,152,000
Pennsylvania	7	130,898,000
Rhode Island	4	3,249,000
South Dakota	2	7,305,000
Tennessee	2	69,550,000
Texas	11	70,095,000
Utah	2	7,635,000
Vermont	4	14,170,000
Virginia	2	4,935,000
Washington	14	305,976,000
West Virginia	1	13,500,000
Wisconsin	4	9,211,000
Total	217	3,966,547,000

Mr. Chairman, this is an indication of the national need. These projects are all fiscally sound. They would not have been authorized by the Congress were they not sound and economically feasible. Since authorization they have been reclassified by the corps in its efforts to remain current. These projects are a bare minimum need and do not include literally hundreds of other projects which the corps does not consider in the active list.

Even if we were to achieve the kind of program we need for complete utilization of our natural resources, even with this basis, there would in the future be minor readjustments of our economy. But, Mr. Chairman, these readjustments would remain minor, and we would never again in this country find ourselves facing the grim and dismal days of depression.

To determine the truth of this, one need only travel in the Western United States. There the economy is dynamic and growing. Although much of the Nation is reeling from the shock of recession, the local economic picture is bright.

The kind of resource development program which has made this possible could and should be applied to the rest of the Nation. We must develop on a sound, orderly and speedy basis those resources which are essential to this kind of growth—the water and the power, the highways and other facilities. And while we are about it we must not overlook or neglect the resources which will help our citizens to grow physically and mentally. There is a great and ever-growing need for recreational facilities. The potential is there; it must be developed. This kind of program would help in that development.

All of this must be done with logic and in an orderly fashion. We must not lose sight of our goal—resource development—and not subordinate this goal to some shorter term benefit which may accrue. Although the origins of the current proposal were rooted in recession and this was brought to us as an antirecession measure, the Public Works Committee of the House has whittled this away. It has become a resource development bill rather than a temporary or emergency antirecession measure.

To me, the essential objection to the original proposal was its short-term aspect. I felt that a basically rational approach—that of long-term, orderly development—was being cast aside for short-term benefits which might or might not help solve a temporary economic problem. I did not and do not feel that the Congress should abandon the ultimate objective merely to provide short-term benefits to limited areas of the country.

Mr. Chairman, I have long supported sound and orderly resource development. It has been my lifelong tenet that this makes economic sense. Every dollar invested now is simply that—an investment—in our future. This investment will return high dividends to the people of the United States and will flow back fourfold or fivefold. It is an investment, too, for the Treasury of the United States. The returns will come in the form of a broader economic base, a broader source of revenue to the Treasury.

There is an additional factor involved in this type of investment which I feel should be touched upon at least briefly.

With the techniques of modern warfare, it is not beyond the realm of possibility—as horrible as that might be—that a potential enemy could launch a devastating attack on our heavily populated coastal regions. It is not beyond concept that there could be a forced mass migration from these areas into the heartland of America so that the American heart could continue to beat.

In this awful eventuality America must be prepared to feed this moving population—and the ultimate goal of all resource development is food.

As to the coordination feature of the present bill, this is by no means new to the people of the Midwestern United States. Nearly a generation ago this concept was accepted when the great Pick-Sloan plan was approved for the Missouri River Basin. That was and is a coordinated program for basinwide development. Its principle is being applied here to a nationwide development.

This conviction of mine is not new. I have held these beliefs for many years. During the 8 years I have been in the Congress I have consistently voted these convictions. There has been no change, no deviation.

Back in 1959 when a similar need faced us, during the time when the previous administration was in office, the issue was brought before the House on two occasions. Twice that year the President vetoed a public works appropriation bill. On September 2 and again on the 10th of that month I was counted among my colleagues who voted to override the Presidential veto.

Such decisions are never taken lightly. There were several considerations which were taken into account.

The administration at that time was requesting additional money for more surveys, more investigations and more reports, and at the same time was refusing money to launch projects which had already been authorized and which were vitally needed throughout the country. The program then seemed to be inquire and investigate but postpone action.

A somewhat similar situation exists today. There are some 200 or more projects which have been authorized and which should be constructed. We should be starting this job now—not delaying it. This work must be started if, in the future, our natural resources are to be an asset and not a liability.

It is for these reasons and because of my own deep and long-held convictions that I shall support the bill presently before the House.

Mr. Chairman, for the information of my colleagues who may be interested, I have a list compiled by the Corps of Engineers of those projects which have been authorized but not built, and are still considered by the Corps to be on their "active" list. The compilation by States follows:

SCHEDULE A

Corps of Engineers, civil works, construction, general authorized projects not yet under construction (active projects only), fiscal year 1963

[Amounts in thousands of dollars]

ALABAMA	
Navigation projects, channels and harbors	
Alabama River channel improvement, Clark, Monroe, and Baldwin Counties	1,700
Mobile Harbor, Mobile County, 40-foot channel and turning basin	3,056
Completed work	3,544
Locks and dams	
Claiborne lock and dam, Alabama River, Clark and Monroe Counties	20,200
Montgomery to Gadsden-Coosa River channel, 6 locks	132,300

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

ALABAMA	
Flood control projects, local protection	
Montgomery, Montgomery County, Alabama River, concrete wall and levee	1,432
Jones Bluff lock and dam, Alabama River, Autauga, and Lowndes Counties, lock, dam, and power facilities	52,600
Millers Ferry lock and dam, Alabama River, Wilcox County lock, dam, and power facilities	53,200
Total, Alabama	264,488
ALASKA	
Navigation projects, channels and harbors	
Anchorage Harbor deepwater harbor, 1958 act:	
Dredging	410
Dredging and jetties	4,770
Sitka Harbor small-boat harbors:	
Crescent Bay Basin	910
Forest service basin	65
Flood control projects, local protection	
Fairbanks, Chena River, levee diversion channel	11,400
Skagway, Skagway River, dikes and breakwater	1,050
Total Alaska	18,605
ARIZONA	
Flood control projects, local protection	
Gila and Salt Rivers, Maricopa County, levee and floodway, 1960 act	3,380
Tucson diversion channel, Pima County, Gila River Basin channel improvement	4,830
Reservoirs	
Alamo Reservoir, Mojave and Yuma Counties, Bill Williams River, Colorado River Basin, concrete dam	11,300
Total, Arizona	19,510
ARKANSAS	
Locks and dams	
Arkansas River and tributaries, Arkansas and Oklahoma:	
Navigation locks and dams	449,000
Snagging and plant	11,300
Ouachita and Black Rivers, Ark. and La.; Polk, Union, Ashley, Bradley, Calhoun, and Ouachita Counties, Ark.; Catahoula, Concordia, Caldwell, Ouachita, Union, and Morehouse Parishes, La.; 9-foot channel and locks and dams, 1960 act	45,500
Ozark lock and dam, Crawford, Franklin, and Sebastian Counties, Ark.; river basin navigation lock, earth fill, and concrete dam with provision for future power	36,300
Flood control projects, local protection	
Holla Bend Bottom, Pope County, Arkansas River levee and drainage facilities	370
Maniece Bayou, upstream extension, Lafayette County, channel improvement and drainage, 1960 act	673
McKinney Bayou, Ark. and Tex., upstream extension, Miller County, channel improvement levee and drainage facilities, 1960 act	851

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

ARKANSAS

Flood control projects, local protection

Village Creek, White River, and Mayberry Levee Districts plan I, Jackson, Lawrence, and Randolph Counties, channel improvements, pumping plant, 1960 act	353

Reservoirs

De Queen Reservoir, Rolling Fork, Sevier County, earth and rock filled dam with uncontrolled spillway	9,510
Dierks Reservoir, Saline River, Howard and Sevier Counties, earth and rock filled dam with uncontrolled spillway	8,530
Gillham Reservoir, Cossatot River, Howard and Polk Counties, earth and rock filled dam with uncontrolled spillway	13,400
Total, Arkansas	575,287

CALIFORNIA

Navigation projects, channels and harbors

Los Angeles and Long Beach Harbors, Los Angeles County:	
35-foot depth in east basin	468
Reimbursement portion completed work	498
35-foot depth in west basin, 1960 act	1,790
Monterey Harbor, Monterey County breakwater and extension of existing breakwater, 1960 act	4,690
Newport Bay Harbor, Orange County, dredging	1,015
Noyo River and Harbor, Mendocino County, 10-foot channel and mooring basin, 1960 act	446
Redwood City Harbor, San Mateo County, channel extension and second turning basin	650
Sacramento River, Yolo and Solano Counties, shallow draft channel, Sacramento to Chico Landing	460
Completed work	397
San Diego Harbor, area M, San Diego County, dredging	437
San Francisco Harbor and Bay, San Francisco, Alameda, Marin, Contra Costa, and San Mateo Counties, construct drift removal plant	1,080

Beach erosion control projects

Carpinteria to Point Mugu, Ventura County, groins	72
Doheny Beach State Park, Orange County, protective beach and groin, 1960 act	258
Humboldt Bay, Ruhne Point, Humboldt County, groin and seawall, Ruhne spit	58
Point Mugu to San Pedro, breakwater, Los Angeles County, groins, dredging	4,760
Santa Cruz County, seawalls, groins	770
Surfside, Anaheim, Bay Harbor, Orange County, sand feeder beach	179

Flood control projects, local protection

Bear Creek, San Joaquin County, levee and channel improvement vicinity of Lockeford	2,790
Sacramento River, bank protection, north central California, within limits of existing levee system, bank erosion control works and setback levees, 1960 act	15,100
Sacramento River, Chico landing to Red Bluff, channel improvement and levees	1,990

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

CALIFORNIA

Flood control projects, local protection

Tahchevah Creek, Riverside County, detention reservoir, outlet channel, and conduit, 1960 act	1,110
Walnut Creek Basin, Contra Costa County, channel improvement and levees, 1960 act	20,800

Reservoirs

Merced River, reservoirs, Mariposa County, to be planned and constructed by local interests, 1960 act	12,000
Mokelumne River, reservoirs, Amador and Calaveras Counties, to be planned and constructed by local interests, 1960 act	11,031
New Melones Reservoir, Stanislaus River, Calaveras County, for flood control, irrigation, water conservation, concrete dam, cost is for project with power not yet authorized	88,000
Oroville Reservoir, Feather River, Butte County, for multiple purposes, to be planned and constructed by local interests, concrete dam	66,375
Tuolumne River, reservoirs, exclusive of Cherry Valley Reservoir, Tuolumne County, for multiple purposes, to be planned and constructed by local interests	3,170
West Fork Reservoir, San Bernardino County, Mojave River Basin, concrete gravity dam, 1960 act	3,690
Total, California	243,189

COLORADO

Flood control projects, reservoirs

Trinidad Reservoir, Las Animas County, Purgatoire River, Colo., earthfill dam	21,000
Total, Colorado	21,000

CONNECTICUT

Navigation projects, channels and harbors

Bridgeport Harbor, Fairfield County:	
Channels and breakwater, 1958 act:	
Black Rock Harbor	510
Johnsons River	58
Connecticut River below Hartford, Middlesex and New London Counties North Cove at Old Saybrook	674
Milford Harbor, New Haven County, East Basin dredge to 8 feet, 1902 act	76

Beach erosion control projects

Cummings Park, Stamford and Fairfield Counties, jetty and sandfill	28
Greenwich Point, Greenwich and Fairfield Counties, sandfill	81

Flood control projects, local protection

Stamford and Fairfield Counties, hurricane barrier dike and floodwall and pumping plant, 1960 act	3,080

Reservoirs

Black Rock Reservoir, Litchfield County, Naugatuck River, earthfill dam, 1960 act	3,550
Colebrook River Reservoir, Litchfield County, Farmington River, earth and rock-fill dam, 1960 act	11,300

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

CONNECTICUT

Reservoirs

Hancock Brook Reservoir, Litchfield County, Naugatuck River, rockfill dam, 1960 act	2,520
Hop Brook Reservoir, New Haven County Naugatuck River, earthfill dam, 1960 act	2,600
Northfield Brook Reservoir, Litchfield County, Naugatuck River, earth-fill dam, 1960 act	1,620
Sucker Brook Reservoir, Litchfield County, Farmington River, earthfill dam, 1960 act	780
West Thompson Reservoir, Windham County, Quinebaug River, earth-fill dam, 1960 act	4,060
Total, Connecticut	30,937

FLORIDA

Navigation projects, channels and harbors

Apalachicola River, Franklin, Liberty, Gadsden, Jackson, Calhoun, Gulf Counties	3,500
Completed work	1,257
Bakers Haulover inlet, Dade County Miami, Reconstruct Jetties and 11- and 8-foot channels and anchorage basin, 1960 act	263
Miami Harbor, Dade County:	
Channel widening, Miami River	187
Enlarge existing channel and turning basin and dredge new turning basin, 1960 act	4,050
Palm Beach Harbor, Palm Beach County, 35-foot entrance channel 33-foot inner channel, and turning basin, 1960 act	5,120

Locks and dams

Cross Florida barge canal, Putnam, Marion, and Levy Counties	168,000
Total, Florida	181,120

HAWAII

Navigation projects, channels and harbors

Hilo Harbor, island of Hawaii breakwaters and dikes	21,200

Beach erosion control projects

Hanapepe Bay, island of Kauai, seawall	29
Waimfa Beach, island of Kauai, seawall	9

Flood control projects, local protection

Wailoa Stream, island of Hawaii channel improvement	1,200
Total, Hawaii	22,438

IDAHO

Flood control projects, local protection

Columbia River, local protection, Idaho, Montana, Oregon, and Washington:	
Boise Valley, Boise River, Canyon and Ada Counties, levees revetment and channel improvement	1,110
Heise-Roberts extension, Snake River, Madison and Jefferson Counties, channel improvement, levee, and bank protection	1,740
Weiser River, Washington and Adams Counties, channel improvement, levees and bank protection	595

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

IDAHO

Multiple-purpose projects including power

Bruces Eddy Reservoir, Clearwater County, North Fork, Clearwater River, cost for planning only, construction not authorized	2,571
Total, Idaho	6,016

ILLINOIS

Navigation projects, channels and harbors

Calumet Harbor and River, Ill. and Ind., Cook County, Ill., and Lake County, Ind., breakwater closure and 28-foot approach channel	1,170

Lock and dams

Illinois waterway:	
New locks and dams at Peoria and La Grange, 300-foot-wide channel below Lockport, mooring piers and dredging, north central, Illinois	1,420
Completed work	9,280
Calumet-Sag Channel, Cook County, Ill., and Lake County, Ind., parts II and III	60,200
Mississippi River between the Missouri River, Minneapolis, Minn., Illinois, Iowa, Minnesota, Missouri, Wisconsin: 9-foot channel, locks, dams, and dredging	19,479
Completed work	153,961

Beach erosion control projects

Chicago, Cook County, piers, groins, bulkheads, and beach replenishment	1,320
Lake Bluff, Lake County, groins, beach replenishment	23
Lake Forest, Lake County, groins	19
Winnetka, Cook County, groins	10

Flood control projects, local protection

Bonpas Creek Channel, Edwards and Wabash Counties, channel improvement	667
Campbells Island, Rock Island County Mississippi River levee and pumping plant	512
England Pond Levee, Lawrence County, levee and embankment enlargement	742
Henderson County Drainage District No. 1, Mississippi River levee improvement	1,260
Henderson County Drainage District No. 2, Mississippi River levee improvement	930
Henderson River, Henderson County, Cedar Creek improvement unit channel work	930
Indian Grave Drainage District, Adams County, Mississippi River levee improvement	5,700
Levee unit 2, Little Wabash River, Wayne County, earth levee and bridge alterations	1,840
Levee units 3 and 4, Wabash River, White County, Ill., Posey County, Ind., earth levee	8,890
Little Calumet River, Cook County, Ill., channel enlargement	751
Lower Rock River levees, Rock Island, Whiteside, Henry Counties, levee work, 1958 act	8,530
New Harmony Bridge, Ill. and Ind., White County, Ill., and Posey County, Inc., bank protection	365
Completed work	298
Rochester and McClearys Bluff levee, Wabash County, earth levee setback and enlargement	1,140

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

ILLINOIS

Flood control projects, local protection

Sny Island and levee drainage district, Pike, Adams, and Calhoun Counties, Mississippi River levee improvement	8,900
South Quincy Drainage and Levee District, Adams County, Mississippi River levee improvement	1,160
Tri Pond Lee, Crawford County, earth levee setback	1,210

Reservoirs

Shelbyville Reservoir, Shelby, Moultrie and Coles Counties, earth dam	20,900
Total, Illinois	149,828

Indiana navigation projects, channels and harbors

Indiana Harbor Lake County:	
Deepen outer and inner harbor and widen and deepen Lake George branch	198
Completed work	445
Breakwater dredging and widen and deepen main channel and Calumet River branch	1,124
Completed work	1,216

Locks and dams

Newburgh locks and dam, Indiana and Kentucky, Ohio River, Warwick County, Ind., Henderson County, Ky	58,400
Uniontown locks and dam, Indiana and Kentucky, Ohio River, Posey County, Ind., and Union County, Ky., two locks and dam	59,200

Flood control projects, local protection

Brevoort levee, Knox County, levee enlargement pump plant, and railroad modification	1,194
Completed work	1,236
Island levee, Indiana and Illinois Sullivan County, Ind., and Crawford County, Ill., levee enlargement	1,720
Levee unit 5, Wabash River, Posey and Gibson Counties, levee and bridge alterations	11,300
Levee unit 17, Wabash River, Gibson County, levee and drainage structures	853

Reservoirs

Brookville Reservoir, Franklin and Union Counties, earth dam	21,800
Huntington Reservoir, Huntington County, earth dam	16,200
Total, Indiana	171,989

IOWA

Flood control projects, local protection

Des Moines, Polk County, Des Moines and Raccoon River levees and floodwalls	975

Reservoirs

Coralville Reservoir, Johnson County, Mehaffey Highway Bridge, 1960 act	1,320
Rathbun Reservoir, Appanoose County, earth dam	22,000
Saylorville Reservoir, Polk, Dallas, and Boone Counties, Des Moines River, earth dam and remedial works	49,500
Total, Iowa	73,795

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

KANSAS

Flood control projects, local protection

Lawrence, Douglas County levees	3,520
Marysville, Marshall County, levees	756
Osawatomie, Miami County, levees	1,170

Reservoirs

Garnett Reservoir, Anderson County, earth dam	18,800
Hillsdale Reservoir, Miami County, earth dam	10,200
Marion Reservoir Grand Neosho River, Marion County, earth-fill dam with concrete spillway	11,700
Melvern Reservoir, Osage County, earth dam	21,700
Perry Reservoir, Jefferson County, earth dam	38,000
Total, Kansas	105,846

KENTUCKY

Flood control projects, local protection

Corbin, Lynn, Camp Creek, Whitley, Knox, and Laurel Counties, Laurel River channel improvement, 1960 act	720

Reservoirs

Cave Run Reservoir, Bath, Rowan, Morgan, Menifee Counties, earth dam	18,900
Grayson Dam and Reservoir, Carter and Elliott Counties, Little Sandy River, dam and reservoir	14,000
Green River Reservoir, Green, Taylor, and Adair Counties, concrete dam	9,540

Multiple-purposes projects including power

Bonneville Reservoir, Owsley, and Clay Counties, multiple purpose with power earth dam	23,500
Laurel River Reservoir, Laurel and Whitley Counties, multiple purpose with power rock fill dam, 1960 act	23,500
Total, Kentucky	90,160

LOUISIANA

Flood control projects, local protection

East Point levees, Red River Parish levees, 1960 act	264
Total, Louisiana	264

MARYLAND

Navigation projects, channels and harbors

Pocomoke River, Somerset County, 11-foot channel and dike	780
Total, Maryland	780

MASSACHUSETTS

Navigation project, channels and harbors

Provincetown Harbor Barnstable County, breakwater	2,105

Beach erosion control projects

Brant Rock, Plymouth County, beach replacement and raise jetty, 1960 act	55
Lynn-Nahant Beach, Essex County, beach replenishment and stone mound	220

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

MASSACHUSETTS

Beach erosion control projects

North Scituate, Plymouth County, beach replacement, 1960 act	59
Plymouth town beach, Plymouth County, beach replacement, groins, and seawall, 1960 act	43
Provincetown beach, Barnstable County, beach replacement, groins and seawall, 1960 act	108
Revere beach, Suffolk County, beach replenishment	261
Completed work	78
Thumpertown beach, Barnstable County, beach replacement and construct groin, 1960 act	24
Town Neck beach, Barnstable County, beach replacement and raise existing jetty	74
Wessagussett beach, Norfolk County, widen beach and construct groins and walls, 1960 act	116
Winthrop beach, Suffolk County, beach replenishment, seawall and groins	38
Completed work	181B

Flood control projects, local protection

Chicopee Falls, Hampden County, Chicopee River, channel improvement levees and floodwalls, 1960 act	1,880
Three Rivers, Hampden County, Chicopee River, channel improvement and removal of existing dam and powerhouse, 1960 act	1,270
Westfield, Hampden County, Westfield River, levees, floodwalls, and pumping plants, 1960 act	3,264

Reservoirs

Conant Brook Dam and Reservoir, Hampden County, Chicopee River, earth and rock-fill dam, 1960 act	2,080
Total, Massachusetts	11,597

MICHIGAN

Navigation projects, channels and harbors

Detroit River:	
Channel north of Belle Isle, Wayne County	380
Enlarge Trenton Channel to 21 feet, Wayne County	2,730
Menominee Harbor, Menominee County 26-foot and 24-foot channels, enlarge turning basin, 1960 act	807
Point Lookout Harbor, Arenac County, breakwaters and dredging	1,660

Beach erosion control project

St. Joseph shore, Berrien County	389

Flood control projects, local protection

Kalamazoo, Kalamazoo River, channel improvement	7,120
Lansing, Grand River, Inghan County, channel improvement	12,500
Saginaw River, Saginaw, Genesee and Shiawassee Counties, protective works	16,200
Total, Michigan	41,786

MINNESOTA

Navigation projects, channels and harbors

Duluth-Superior Harbor, St. Louis County, Minn., and Douglas County, Wis.: Inner harbor, 27-foot and 23-foot channels, 1960 act	2,690

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

MINNESOTA

Flood control projects, local protection

Mankato and North Mankato, Blue Earth County, Minnesota River channel, levees, and floodwalls	2,390
Winona, Winona County, Mississippi River levees	2,090
Total, Minnesota	7,170

MISSISSIPPI

Flood control projects, local protection

Jackson and East Jackson, Pearl River and tributaries, Hines and Rankin Counties, Jackson, Miss., levees, channel improvement and pumping plants, 1960 act	3,636
Tombigbee River and tributaries, northeast Mississippi and northwest Alabama, snagging and clearing channel enlargement	24,100
Total, Mississippi	27,736

MISSOURI

Flood control, local protection

South River Drainage District, Marion County, Mississippi and South Rivers levee improvement	2,030

Reservoirs

Kaysinger Bluff Reservoir, Benton County, earth dam	104,000

Multiple purpose projects including power

Stockton Reservoir, Cedar County, multiple purpose with power earth dam	43,000
Total, Missouri	149,030

MONTANA

Flood control projects, local protection

Clark Fork at Missoula, Missoula County, levees, floodwalls, and drainage facilities	244

Multiple purpose projects including power

Libby Reservoir, Kootenai River, Lincoln County, multiple purpose with power concrete dam	325,000
Total, Montana	325,244

NEBRASKA

Flood control projects, local protection

Pierce, Pierce County, levee and channel improvement	288
Shell Creek and tributaries, Colfax, Plate, and Madison Counties, levee and channel improvement	2,540
Westpoint, Cuming County, levee, 1950 act	214
Total, Nebraska	3,042

NEVADA

Flood control projects, local protection

Gleason Creek, White Pine County, small reservoir near Keystone, 1960 act	558
Las Vegas Wash and tributaries, Clark County, northwest side of Lake Meade Diversion Levee, detension basin channel improvement, 1960 act	13,500
Total, Nevada	14,058

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

NEW JERSEY

Navigation projects, channels and harbors

Delaware River, Philadelphia to sea, Philadelphia County, Pa., and Camden County, N.J., anchorages at Reedy Point, Deepwater Point, and enlarging Marcus Hook and Mantua Creek anchorages	28,100

Beach erosion control projects

Asbury Park to Manasquan, Monmouth County, beach replenishment	3,670
Barnegat Light, Ocean County, revetments, groins, and beach restoration, 1960 act	130
Cape May City, Cape May County, beach restoration and groins, 1960 act	663
Long Beach Island, Ocean County, groins and beach restoration, 1960 act	1,896
North Wildwood, Cape May County, beach restoration, 1960 act	80
Ocean City, Cape May County, beach restoration and extension of groins, 1960 act	1,147
Point Pleasant Beach to Seaside Park, Monmouth and Ocean Counties, beach replenishment	1,710
Sea Bright to Ocean Township, Monmouth County, groins and beach replenishment	5,400
Stone Harbor, Cape May County, beach restoration, 1960 act	206
Ventnor, Margate, and Long Port, Atlantic County, beach restoration, 1960 act	209
Total, New Jersey	43,211

NEW MEXICO

Flood control projects, reservoirs

Cochit Reservoir, Sandoval County, 50 miles above Albuquerque on the Rio Grande, earth-fill dam, 1960 act	48,400
Galisteo Reservoir, Santa Fe County, on Galisteo Creek 4 miles above its confluence with the Rio Grande, earth-fill dam, 1960 act	16,700
Total, New Mexico	65,100

NEW YORK

Navigation projects, channels and harbors

Buffalo Harbor, Erie County, extension of south breakwater and deepen outer harbor, 1935 act	686
Completed work	2,974
East Chester Creek, Bronx and Westchester Counties, 10-foot channel and check dam	725
Lake Montauk Harbor, Suffolk County, 12-foot channel basin and jetties	650
Moriches Inlet, Suffolk County, jetties and 6- and 10-foot channel, 1960 act	3,355
Oswego Harbor, Oswego County, deepen west outer harbor to 22-feet, 1940 act	2,057
Completed work	913
Shinnecock Inlet, Suffolk County, jetties and 6- and 10-feet channel, 1960 act	3,551

Beach erosion control projects

Fair Haven Beach State Park, Cayuga County, groins, jetties, beach replenishment	148
Hamlin Beach State Park, Monroe County, groins and beach replenishment	520

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

NEW YORK

Flood control projects, local protection

Fire Island Inlet to Montauk Point, Suffolk County, beach replenishment, drainage structure, and groins, 1960 act	19,700
Ithaca, Cayuga Inlet, Tioga County, channels and levees, 1960 act	4,360
Lackawanna Smokes Creek, Erie County, channel rectification, 1960 act	2,330
Lake Chautauqua and Chadakoin River, Chautauqua County, channel improvement, diversion channel, and outlet works	6,270
Nichols, North Branch Susquehanna River, Tioga County, levees	1,110
Rome, Mohawk River, Oneida County, levees	400
South Amsterdam, Mohawk River, Montgomery County, levees	1,760

Reservoirs

Davenport Center Reservoir, Delaware County, Charlotte Creek, earth dam	10,700
Genegantslet Reservoir, Chenango County, Genegantslet Creek, earth dam	7,380
South Plymouth Reservoir, Chenango County, Canasawacta Creek, earth dam	7,570
West Oneonta Reservoir, Otsego County, Otego Creek, earth dam	11,600
Total, New York	84,872

OHIO

Navigation projects, channels and harbors

Cleveland Harbor: bridge replacements, widening Cuyahoga and Old River, and deepening channel in east basin and outer harbor, 1958 act	17,900
Conneaut Harbor, Ashtabula County:	
Channels, breakwaters, and deepen outer harbor to 20 feet, 1917 act	887
Completed work	97
Channels, breakwaters, and deepen outer harbor to 25 feet, 1935 act	1,548
Completed work	2,192
Fairport Harbor, Lake County, 27–29-foot channels and turning basin, 1960 act	3,030

Locks and dams

Hannibal locks and dam, Ohio River, Monroe and Belmont Counties, Ohio, and Welzel, Marshall, and Ohio Counties, W. Va., locks and nonnavigable dam	56,700
Racine locks and dam, Ohio and W. Va	76,800
Willow Island lock and dam, Ohio and W. Va	66,400

Flood control projects, local protection

Reno Beach-Howard Farms, Lucas County, construct levees	728

Reservoirs

Big Darby Creek Reservoir, Franklin County, earth dam	24,500
Caesar Creek Reservoir, Warren and Clinton Counties, earth dam	8,580
Deer Creek Reservoir, Pickaway County, concrete dam	16,200
East Fork Reservoir, Clermont County, earth dam	13,000
Paint Creek Reservoir, Highland and Ross Counties, concrete dam	19,800
Total, Ohio	306,073

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

OKLAHOMA

Locks and dams

Webbers Falls lock and dam, Muskogee and Wagoner Counties, Arkansas River, basin earth-fill dam with concrete spillway, navigation lock and provisions for future power	60,400

Flood control projects, reservoirs

Lukfata Reservoir, Glover Creek, McCurtain County, earth and rock filled dam with uncontrolled spillway	12,100
Pine Creek Reservoir, Little River, McCurtain and Pushmataha Counties, earth-filled dam with controlled spillway	21,200

Multiple purpose projects, including power

Short Mountain lock and dam, Sequoyah, Leelore, Haskell, and Muskogee Counties, Arkansas River Basin, earth-fill dam with concrete spillway, power facilities, and navigation lock	101,000
Total, Oklahoma	194,700

OREGON

Navigation projects, channels and harbors

Columbia River at the mouth, Clatsop County, Oreg., and Pacific County, Wash., 48-foot channel and jetty	8,331
Completed work	2,519
Columbia slough, Multnomah County, 10-foot channel and basin	1,290
Coos and Millicoma Rivers, Coos County, 5-foot channel	546
Siuslaw River and Bar, Lane County, entrance channel, jetties, 1958 act	2,020
Willamette River above Portland and Yamhill River, Clackamas, Marion, Linn, Benton, Polk and Yamhill Counties, 6-foot channel, Oregon City to Santiam River, 5-foot to Albany, 2½-foot to Cornvallis	2,420
Yaquina Bay and Harbor, Lincoln County, channel improvement and jetties, 1958 act	23,600

Locks and dams

Willamette River at Willamette Falls, Clackamas County, single lift lock and guard lock	10,900

Flood control projects, local protection

Columbia River local protection, Idaho, Montana, Oregon, and Washington: John Day River, Grant and Wheeler Counties, channel improvement and levees	405
Lower Columbia River, improvement to existing works, Oregon and Washington:	
Clatskanie Drainage District, Columbia County, levee strengthening	177
Peninsula Drainage District No. 1, Multnomah County, levee strengthening	1,310
Scappoose Drainage District, Columbia County, levee strengthening	909
Pilot Rock Birch Creek, Umatilla County, levees and channel improvement	349
Willamette River Basin, channel improvement and major drainage:	
Bear Creek, Lane County	285
Shelton Ditch, Marion County	1,800
West Muddy and Marys River, Benton County	2,960

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

OREGON

Reservoirs

Blue River Reservoir, Lane County, Blue River, earth dam	21,800
Total, Oregon	79,152

PENNSYLVANIA

Navigation projects, channels and harbors

Erie Harbor, Erie County, deepen approach channel to easterly docks, 1935 act	45
Completed work	525B

Locks and dams

Dam 4, Monongahela River, Washington and Westmoreland Counties, gated crest nonnavigable dam	10,000

Flood control projects, local protection

Elkland, North Branch, Susquehanna River, Tioga County, levees	1,670
Latrobe Westmoreland County, channel enlargement and realinement, 1960 act	2,983
Tyrone, Blair County, Little Juniata River, levees	11,100

Reservoirs

Blanchard Reservoir, Centre County, Bald Eagle Creek, earth dam	22,900
Cowanesque Reservoir, North Branch, Susquehanna River, Tioga County, earth dams	28,600
Tioga-Hammond Reservoir, North Branch, Susquehanna River, Tioga County, earth dams	53,600
Total, Pennsylvania	130,898

RHODE ISLAND

Beach erosion control projects

Matunuck Beach, Washington County, beach restoration, sand fence, and groins, 1960 act	99
Misquamicut Beach, Washington County, sand fences and beach restoration, 1960 act	20
Narragansett Pier, Washington County, beach replenishment and groins	120

Flood control projects, local protection

Lower Woonsocket, Providence County, Blackstone River, basin channel improvement below South Main Street Bridge, 1960 act	3,010
Total, Rhode Island	3,249

SOUTH DAKOTA

Flood control projects, local protection

Belle Fourche, Redwater River and Hay Creek, Butte County, levees, channel, 1960 act	375
Vermillion River, Clay County, levee	6,930
Total, South Dakota	7,305

TENNESSEE

Multiple purpose, including power

Cordell Hull Dam, Carthage, Cumberland River, Smith, Jackson, and Clay Counties, multiple purpose with power, concrete and earth dam	39,900

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

TENNESSEE

Multiple purpose, including power

J. Percy Priest, Davidson, Rutherford, Wilson Counties, multiple purpose with power, concrete and earth dam	29,650
Total, Tennessee	69,550

TEXAS

Navigation projects, channels and harbors

Brazos Island Harbor, Cameron County, widen upper channel, enlarge fishing harbor and extend north jetty channel improvement, 1960 act	4,540
Galveston harbor and channel, Galveston County:	
36- and 38-foot channel	1,324
Completed work	176
40- and 42-foot outer bar and jetty channel	2,840
Houston ship channel, Harris County: deepening channel to 40 feet and turning basin, 1958 act, phase II	9,790
Port Aransas-Corpus Christi waterway, Nueces County:	
Deepening existing project to 40 and 42 feet	5,400
40-foot channel extension from Tule Lake to Viola and including turning basin, phase II	282
Texas City channel, Galveston County:	
Turning basin extension, 34 and 36 feet	495
40-foot channel and barge canal, 1960 act	1,680

Flood control projects, local protection

Big Fossil Creek, Tarrant County, easterly outskirts of Fort Worth, channel work	1,970
Blieders Creek Reservoir, New Braunfels, Comal County, earth dam and reservoir for local protection	1,230
Eastland, Eastland County, Leon River, channel improvement	325
Fort Worth floodway, upstream extension; Tarrant County, levee and channel work, 1960 act	2,369

Reservoirs

Bardwell Reservoir, Ellis County, Waxahachie Creek, earth dam	9,120
Gonzales Reservoir, Gonzales County, San Marcos River, earth dam	20,800

Multiple-purpose projects including power

Denison Reservoir, Lake Texoma, Grayson and Cook Counties, Tex., and Marshall, Johnson and Love Counties, Okla., additional power unit installation, unit No. 3	7,930
Total, Texas	70,095

UTAH

Flood control project, local protection

Little Dell Reservoir, Salt Lake County, Jordan River, 8,000 acre-foot reservoir for flood control and water supply, 1960 act	6,850
Weber River, Davis, Morgan, and Weber Counties, from town of Morgan to city of Ogden, channel improvement and levees	785
Total, Utah	7,635

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

VERMONT

Flood control projects, local protection

Rutland, Rutland County, Otter Creek, channel improvement	3,770
Waterbury, Washington County, Winooski River, channel improvement	4,600

Reservoirs

Island Reservoir, Windham and Windsor Counties, Connecticut River Basin, earth dam	4,900
Victory reservoir, Essex County, Connecticut River Basin, earth dam	1,900
Total, Vermont	15,170

VIRGINIA

Navigation projects, channels and harbors

Hull Creek, Northumberland County, 6-foot channel and jetties	335

Flood control projects, reservoirs

North Fork of Pound Reservoir, Wise County, on North Fork of Pound River, rock fill dam	4,600
Total, Virginia	4,935

WASHINGTON

Navigation projects, channels and harbors

Port Townsend, Jefferson County, breakwater and mooring basin	750

Flood control projects, local protection

Columbia River local protection, Idaho, Montana, Oregon, and Washington: Palouse River, Whitman County, levees and channel improvement	720
Dayton, Touchet River, Columbia County, levees, bank protection and channel improvement	309
Lower Columbia River, improvement to existing work, Oregon and Washington:	
Cowlitz County consolidated diking district, No. 2, Cowlitz County, levee strengthening	1,420
Cowlitz County diking district No. 15, Cowlitz County, levee strengthening	239
Wahkiakum County consolidated diking district No. 1, Wahkiakum County, levee strengthening	1,390
Wahkiakum County diking district No. 4, Wahkiakum County, levee strengthening	422
Lower Columbia River, levees at new locations:	
Kalama River, south area, Cowlitz County, levees	902
Vancouver, lake area, Clark County, levees	4,140
Washougal area, Clark County, levees	1,660
Pullman, Palouse River, Whitman County, channel improvement with levees, floodwalls, and revetment	2,100
Sammamish River, King County, channel improvement, levees	1,924

Multiple-purpose projects including power

Little Goose lock and dam, Snake River, Whitman, Columbia, and Garfield Counties, dam, reservoir, and relocation of roads and railroads	144,000

Corps of Engineers, civil works, etc.—Con.

[Amounts in thousands of dollars]

WASHINGTON

Multiple-purpose projects including power

Lower Granite lock and dam, Snake River, Garfield, Whitman, and Asotin Counties, dam, reservoir, and relocation of roads and railroads	147,000
Total, Washington	306,976

WEST VIRGINIA

Flood controls projects, reservoirs

East Lynn Reservoir, Wayne County, earth dam	13,500
Total, West Virginia	13,500

WISCONSIN

Channels and harbors

Saxon Harbor, Iron County, breakwaters, pier removal, and dredging	535

Beach erosion control projects

Manitowoc County, stone revetment	63

Flood control projects, local protection

Eau Galle River, Spring Valley, Pierce County, reservoir and channel improvement	8,250
Odanah, Ashland County and Bad River, moving village and levee	363
Total, Wisconsin	9,211

Active schedule A grand total, all projects, $3,966,547.

Mrs. DWYER. 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 gentlewoman from New Jersey?

There was no objection.

Mrs. DWYER. Mr. Chairman, in this period of continuing high levels of unemployment and underemployment, I would support any legislation which promised to provide an effective means of meeting these serious problems, of stimulating economic expansion, the growth of industry and commerce, and of helping people find the jobs they need.

Unfortunately, the pending legislation, the public works acceleration bill, will not in my judgment help accomplish these objectives. On the contrary, it would tend to disrupt the orderly and effective programing of pulbic works projects by existing agencies of the Federal Government by creating a parallel Government organization which could only duplicate work which is already being done.

On the basis of our experience with postwar economic recessions, most economists seem to agree that large-scale emergency public works programs do not contribute significantly to the desired recovery, especially over a relatively short period of time. Income tax reductions and the provision of extended unemployment compensation have a much more immediate and salutary effect on the economy.

Consequently, if the President is correct in taking the position that the pres-

ent state of the national economy does not justify an immediate tax cut, then it is difficult to understand how one can justify proposing an even more uncertain and questionable remedy, that of public works acceleration. On the other hand, the President has proposed an extensive revision of the tax laws, including a tax cut, for early next year with the objective in mind, among others, of encouraging an expansion of business activity. If the tax cuts to be proposed are the right kind, they should be substantially more effective than the pending bill in putting people to work in 1963.

Even if one accepts the premise that the acceleration of public works projects would have a beneficial effect on the economy, the present bill would not be necessary. It would, in fact, not only be superfluous but would actually delay the beginning of work on the projects. By establishing a new agency in the public works field, the bill would require the duplication of programing and other administrative activities and would cause a further delay in the time it would take to organize the agency. Moreover, the bill provides that the funds it would authorize would still have to be appropriated and could be spent only on projects already authorized by Congress or covered by existing Federal programs. The quickest way to obtain the desired impact on the economy—again, assuming the merit of such a program—would be to request supplemental appropriations from Congress for such existing agencies as the Corps of Engineers, the Bureau of Reclamation, the Bureau of Public Roads, the Department of Health, Education, and Welfare, the Housing and Home Finance Agency and others which have public works responsibilities and which operate public works programs.

A careful reading of the bill and the committee report, however, raises the question whether proponents of the bill, in their anxiety to increase public spending, are not in fact threatening a serious dislocation of the fundamental basis of Federal grant and loan programs. Over the years, Congress has carefully devised specific formulas under which grant and/or loan assistance is made available to State and local public bodies for a variety of special public purposes. Each formula is related to a particular purpose and a particular set of economic circumstances. Some provide for loans, some for combinations of loans and grants, some for grants at varying levels below 50 percent of the project cost. For purposes of public works acceleration, however, this system would be scrapped, and eligible projects could be financed under the bill with 50 percent Federal grants, regardless of the original formula or limitation of the particular program.

In effect, then, for every Federal-aid program now in existence, of a public works nature, which provides for loans or for grants of less than 50 percent of the total cost of the project, a brand-new Federal-grant program would be created. The new program would function side by side with the old one, competing for applications from interested communities, and creating all kinds of new and disturbing problems.

Who, for instance, would determine which community, in the face of limited funds, would get a 50 percent Federal grant and which would get a repayable loan, even though the projects were the same and each was located in an eligible area? Certainly, the criteria in the bill do not appear to be adequate enough to support an objective decision, and in the absence of such criteria the way is opened for discrimination and political favoritism.

Again, might not this bill simply substitute Federal funds for State and local funds—just as cheap money drives out dear money—without substantially increasing the total investment in public facilities? Obviously, if a community needs and is planning to build a sewage treatment plant and is located in an eligible area, it will first seek to obtain the 50 percent grant authorized by this bill instead of the 30 percent grant for which it would be eligible under the existing Federal Water Pollution Act. Yet, would this 20 percent Federal bonus be sufficient to persuade a community to go ahead with such a public works project when it was unwilling to do so previously? I suspect that most communities which are in a position to avail themselves of the proposed Federal grants would also undertake the same projects under existing, though less liberal, Federal programs. Ironically, the communities which are hardest hit by long-term unemployment—for which such public works assistance is most needed—are least able to benefit from this bill because they are least able to raise the necessary matching funds.

In any event, Mr. Chairman, whatever we may think of the merits of this bill, we should view it before we vote in the perspective of the funds already made available by the Federal Government for similar public works projects. Just this month, the Secretary of Commerce released nearly $2 billion to the States in extra Federal-aid highway construction funds for use in the present fiscal year, 1 year in advance. This is in addition to the regular quarterly releases of nearly $1 billion in highway funds throughout fiscal 1963.

Furthermore, the Administration has available to it, as of last week, over $2.5 billion of previously authorized funds which it has not yet spent or obligated under a number of housing and public facilities programs—more than two-and-a-half times the amount it is now seeking on an emergency basis.

Under the circumstances, Mr. Chairman, I do not believe Congress would be justified in passing this bill.

Mr. CURTIS of Missouri. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD and include extraneous matter.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. CURTIS of Missouri. Mr. Chairman, I take the floor primarily to commend the Republicans on the Public Works Committee for the scholarly and thoughtful minority views they wrote to accompany H.R. 10113, the Public Works Coordination and Acceleration Act now being debated.

There is little that can be added or need be added to these minority views. The facts and logic establish beyond any reasonable question that this is poorly conceived and designed legislation. Under unanimous-consent request which I obtained in the House I am setting forth these minority views at the end of these remarks so that they will be available to anyone reading the record of this debate.

I do want to point up one important economic factor in respect to unemployment figures which have been referred to in meaningless generalities throughout the debate by those seeking to justify this poor piece of legislation. What I point up is a matter which the present administration might well take some pride in.

The crucial unemployment statistic as far as the welfare of individual human beings is concerned is the weekly average of unemployment insurance exhaustions. It is also a very meaningful statistic in measuring the trend of a recession or a recovery.

On page 110 of the Economic Indicators, August 1962, prepared for the Joint Economic Committee by the President's Council of Economic Advisers, are the statistics on unemployment insurance programs. Incidentally, it is stated just under the heading, "Insured unemployment averaged 1.7 million in July, about 1 million less than in July 1961."

Column 6 lists weekly average insured employment exhaustions:

[In thousands]

1957	23
1958	50
1959	33
1960	31
1961	46
1961:	
June	53
July	50
August	44
September	38
October	35
November	34
December	35
1962:	
January	39
February	39
March	39
April	39
May	33
June	30
July	29

From this statistic we can see that the exhaustions are now reaching recovery figures and have definitely left the recession figures in the forties and fifties. It is a shame that the New Frontier has such little faith in our great private enterprise system and feels that it must continue to tinker with it.

MINORITY VIEWS ON H.R. 10113

We are opposed to the enactment of H.R. 10113 for the following reasons:

1. The bill will not accomplish its stated purpose to provide immediate work for a substantial number of unemployed and underemployed persons.

2. The Congress should not authorize the appropriation of additional funds to construct public works for the purpose of creating jobs when unobligated balances of

existing appropriations, in the billions of dollars, are available for other programs which produce employment and which are not being used by the administration.

3. A new Federal agency, called the Office of Public Works Coordination and Acceleration, would be created, which agency would serve no useful purpose that could not be better performed by existing agencies, and which may seriously encroach upon and even supersede the authority of existing Federal departments and agencies, including, among others, the Departments of Defense, Agriculture, Commerce, Interior, and Health, Education, and Welfare, the Housing and Home Finance Agency, and General Services Administration, and which may emasculate the Congress in its traditional role of determining what public works programs and projects shall be undertaken by the Federal Government and the policies relative thereto.

4. Expenditure of the $900 million authorized to be appropriated by the bill will necessitate deficit financing and will contribute to the necessity for increasing the public debt ceiling.

5. The Federal share of the cost of public works projects of State and local governments, to be paid from funds authorized to be appropriated by the bill, would increase to 50 percent when the Congress has determined under existing law that the Federal contribution is to be less than 50 percent.

6. Public works projects of municipalities, counties, and any other political subdivisions and instrumentalities of States which, under existing law are eligible for interest-bearing loans from the Community Facilities Administration will, under H.R. 10113, be eligible for Federal grants, from funds authorized to be appropriated by the bill, for 50 percent of the cost of such projects, even though the Congress may never have authorized Federal grants-in-aid for projects of the types undertaken. Also, other public works which under existing law are eligible only for Federal loans or for grants for planning or studies may be eligible under this bill for Federal grants for construction.

7. This bill would delegate to the President the power and authority of the Congress to authorize new Federal grant-in-aid programs and projects, and, through this new all-inclusive civil and military Federal and local public works blanket authorization, to select the Federal and federally assisted programs and projects to be constructed, and to determine the amounts of money to be appropriated therefor.

AN ACCELERATED PUBLIC WORKS PROGRAM WILL NOT PROVIDE NEEDED IMMEDIATE EMPLOYMENT

Public works construction has never been effective in achieving anticyclical results during an economic recession. Public works programs take so long to get going that they generally do not provide much additional employment until recovery is well underway. Public works projects of any size require a considerable period of time for the making of surveys, economic and engineering studies, preparation of plans and specifications, acquisition of land, and the advertising for bids, all of which must be accomplished before contracts can be awarded and actual construction commenced. Even additional time may be required for the commencement of Federal-aid projects by States and local governments, for it is necessary to establish criteria for Federal grants, receive requests for assistance, determine which projects are to be assisted, and assure that the State or local government has adequate funds to pay its share of the cost of the project. Depending on the size, type, and existing status of projects, there may be an elapse of from several months to 2 or more years between the time that a project is financed and work actually commenced, and the creation of new jobs will be deferred accordingly.

The only partially successful antirecession public works construction program undertaken during the postwar recessions was the expenditure of $400 million for Federal-aid highway construction authorized by the Federal-Aid Highway Act of 1958. This act, which was approved on April 16, 1958, required contracts to be awarded prior to December 1, 1958, for completion of projects by December 1, 1959. Many of the highway improvements undertaken under this authority consisted of work which did not require extensive engineering or acquisition of rights-of-way, such as resurfacing of highways and widening of shoulders. However, even in carrying out this simple program, an average of 4 months elapsed between the time that projects were programed and contracts awarded for construction.

On January 13, 1961, Maurice H. Stans, Director of the Bureau of the Budget, transmitted to the President a staff report entitled "Federal Fiscal Behavior During the Recession of 1957–58." In this report Mr. Stans reviewed the fiscal policies in effect and the fiscal actions taken in the 1958 recession and the results obtained therefrom. Among the major findings of the report are that the fiscal actions of the Government which gave the biggest boost to the economy in 1958 were the built-in stabilizers, such as automatic decreases in income tax revenues and automatic increases in unemployment benefits; whereas, many of the deliberate countercyclical actions including some of the largest in terms of expenditures, made a small contribution in relation to their budget cost or were poorly timed. Even though the 1958 antirecession highway construction program has been referred to frequently as a possible exception to the unsatisfactory role of public works in creating jobs to combat a recession, this report points out that that antirecession highway construction program entailed high Federal expenditures for the amount of immediate employment created. A study of this report should convince anyone of the folly of relying upon the acceleration of public works to provide immediate work for the unemployed.

Most public works will not provide many jobs for persons who are presently unemployed. Much of the cost of projects goes into the purchase of materials and equipment and for the employment of professional and skilled persons who are not among the large group of unemployed.

Not only are public works projects, by their very nature, slow to start, but once started they cannot be readily stopped. According to the administration, we are now supposed to be in a period of recovery, with employment constantly improving according to the latest figures. The Department of Labor has reported that during March, April, and May of this year unemployment declined from 4,543,000 to 3,719,000 persons. This is an increase of 824,000 jobs, which is more than 6 times the number of jobs that may be created by expenditure of the $900 million authorized by this bill. If the peak impact of the public works construction program under H.R. 10113 comes during a period of recovery, rather than during the preceding recession, it can create problems greater than those it was designed to remedy by contributing substantially to inflation.

It should be pointed out that the funds authorized to be appropriated by H.R. 10113 will be available only for projects which can be initiated or accelerated within a reasonably short period of time and which can be substantially completed within 12 months thereafter. Thus, Federal assistance under this bill will be limited principally to small projects, which may be much lower in priority of needs and public benefits than other public works projects that are larger in size and would require more time to complete. Furthermore, such smaller projects are seldom found in large metropolitan areas where the need is greatest for the creation of employment opportunities.

To meet the requirement for substantial completion of construction within 1 year, most projects will have to be completed during a single construction season. In many northern areas of the country the construction season extends generally from May through October. This means that by the time this bill is enacted into law, if such be the case, and the necessary engineering, land acquisition, and other necessary work is accomplished preliminary to the awarding of contracts for the construction of projects, little, if any, construction work can actually get underway in these sections of the country before the spring of 1963 and no immediate employment will result.

There is also built into the language of H.R. 10113 another obstacle to the early undertaking of projects by many communities. Section 10 of the bill provides that no funds authorized to be appropriated shall be made available to any State or local government unless the proposed or planned total expenditures of such State or local government during the fiscal year for all its capital improvement projects is increased by an amount approximately equal to the non-Federal funds required to be made available for such public works projects. The purpose of this provision is meritorious in that it is designed to increase public works construction by preventing States and local governments from merely transferring funds from public works now planned to other projects to be financed under H.R. 10113, particularly if the Federal share of the cost of the H.R. 10113 project is greater. However, this provision may make it impossible for many communities to receive grants under this bill. State and local government budgets are generally approved annually or biennially, and revenues to finance such budgets are provided by legislative assemblies which may meet only for short or biennial sessions. In many instances it may be impossible for States and local governments to make changes in their budgets and to provide necessary additional financing so as to become eligible for grants under this bill.

It is appropriate to examine the anticipated results which might be obtained by the most optimum expenditure of the $900 million authorized by this bill. It is unlikely that any expenditures could be made during the remaining months of this fiscal year. Based upon the President's estimate of expenditure rates which would result from the $600 million immediate public works construction program he recommended to the Congress, it is assumed that the expenditure of Federal funds resulting from the early enactment of H.R. 10113, and the immediately subsequent appropriation of the $900 million authorized, would be approximately $500 million in fiscal year 1963, and $400 million in fiscal year 1964. According to the most optimistic testimony of Mr. George Meany, president of the AFL–CIO, when he appeared before the Committee on Public Works in support of this bill, each $1 million of construction expenditures will create about 100 onsite and offsite jobs and about 150 other jobs in consumer industries and in wholesale and retail trades for a period of 1 year, or a total of approximately 250 jobs for 1 year. Applying these figures to the estimated expenditures of the Federal funds authorized by this bill, approximately 50,000 onsite and offsite jobs and 75,000 additional jobs in consumer industries and wholesale and retail trades, or a total of 125,000 jobs, would be created during the peak fiscal year of 1963 and would continue through most of fiscal year 1964. When viewed in light of the national unemployment of 3,719,000 persons in May 1962, it is obvious that this bill will merely scratch the surface in providing work for the millions of persons now unemployed. In fact, the 125,000 persons who may receive employ-

ment for a period of a little less than 2 years as a result of the expenditure of this $900 million is only about 3 percent of the total unemployed. There is no assurance that even this small increase in employment will result. If the financing provided by this bill is merely substituted for State and local financing for projects which would be constructed anyway, there will be no increase in employment. And this is a real likelihood, for State and local government financing of public facilities has continued to set new records, with sales of new issues of State and municipal bonds increasing from $4.4 billion in 1952 to over $8.3 billion in 1961.

The Congress, and the people, should not be misled into believing that this bill will provide any appreciable solution to the serious unemployment problem in this country. It is true that some jobs will be created, but they will be too little in number and too late in time to be of material help to those who are so desperately in need of employment now. Enactment of this bill will accomplish nothing more than to create the false impression that something of real significance is being done to relieve unemployment—and that is not the case.

AVAILABLE FUNDS HAVE NOT BEEN USED

It is incongruous for the President to ask the Congress to give him such vast new authority and to authorize additional funds to accelerate construction of public works when the administration has deliberately avoided obligating funds already appropriated by the Congress for other programs which could produce far more employment than that which will result from expenditure of the $900 million authorized by this bill.

There are presently billions of dollars of obligational authority available to the President, the expenditure of which would greatly stimulate the economy and substantially relieve unemployment. However, for reasons known only to the administration, it has withheld, deferred, or substantially limited the obligation of funds for many programs. At the hearings on this bill, particular reference was made to the following unobligated balances of specific appropriations which are available to the administration for programs that could afford direct and substantial relief for unemployment, but which the administration has not used.

	Available for obligation during fiscal 1962	Amounts obligated at time of hearing or estimated to be obligated by end of fiscal 1962	Unobligated balance
Veterans' Administration direct loans	$500	$200	$300
Loans for public facilities, Community Facilities Administration	650	150	500
Urban renewal	2,000	600	1,400
Maritime Administration, for shipbuilding	153	89	64
Area Redevelopment Act, for grants and loans for construction of public facilities	90	1	89
Farmers Home Administration, housing loan program	[1] 430	95	335
Total	3,823	1,135	2,688

[1] Available for obligation during fiscal years 1962 through 1965.

NOTE.—Figures are rounded to nearest million dollars.

We fail to see any reason to give the President authority to expend an additional $900 million for public works, in any way that he sees fit, when there is now available more than $2½ billion for the above six programs which the administration has failed to use and which could produce jobs in the construction of homes, other buildings, ships, and public works, more quickly and in greater number than would result from expenditure of the $900 million authorized by this bill.

CREATION OF A NEW FEDERAL AGENCY

H.R. 10113 will establish a new Federal agency to be called the Office of Public Works Coordination and Acceleration and to be administered by a Director of Public Works Coordination and Acceleration. The Director and a Deputy Director are to be appointed by the President, by and with the advice and consent of the Senate. The Director will receive $20,000 per annum, which is the salary of an assistant Cabinet officer, and the Deputy Director will receive $18,500. There will also be an unestimated number of other officials and employees for this new agency.

The Director is directed by the language of the bill to encourage the coordination of planning policies for construction of public works and for this purpose he is required to review information collected from each department, instrumentality, and agency of the Federal Government and of State and local governments having authority to construct public works, and to determine—

(1) What public works projects have been or are in the process of being planned for construction;

(2) What public works projects are required to meet national, regional, and community growth and economic development;

(3) What are the present policies of the various departments, agencies, and instrumentalities with respect to planning public works; and

(4) The extent to which the policies of each such department, agency, and instrumentality should be coordinated with an overall policy with respect to public works planning and construction, and methods for such coordination.

This direction to and authority of the Director applies, as do the spending provisions of the bill, to the planning and construction of all Federal and Federal-aid public works projects, both civil and military, and is not in any way restricted to the acceleration of public works to relieve unemployment.

The view was expressed by some members of the committee that it was not intended that the Director should be authorized to establish policy which construction agencies would have to follow in regard to the planning and construction of public works projects. However, the language contained in the bill must be assumed to mean what it says and, if this language has any purpose at all, it would clearly appear to vest great authority and control in the Director of this new Office over all Federal and Federal-aid public works, which cannot be taken away by some statement to the contrary in the report of the committee on this bill.

An aggressive and ambitious Director of the Office of Public Works Coordination and Acceleration, armed with the authority contained in this bill, would quickly take over much of the policymaking now exercised by existing Federal agencies and would either directly or indirectly control the development of all Federal and Federal-aid public works programs and the selection and scheduling of specific projects for planning and construction. In practice, he will control the public works activities of the Department of Defense (including the Corps of Engineers), Agriculture, Interior, Commerce, and Health, Education, and Welfare, the Housing and Home Finance Agency, General Services Administration, and all other departments and agencies now administering public works programs.

In our opinion, it is unnecessary and certainly unwise to replace the experienced judgment of agencies now charged with the responsibility of administering public works programs by that of a single political appointee.

We fear that by the establishment of such a new agency, which would undoubtedly exercise controlling influence over all Federal public works projects and State and local Federal-aid programs and projects, the Congress will create a political pork-barrel czar which may turn on its creator like a Frankenstein monster. Not only is there real danger that the authority, policies, and decisions of other Federal agencies may become subservient to the wishes of the Director of this new agency, but, to the extent that this occurs, the Congress will be denied fully objective recommendations and reports of agencies now charged with the responsibility of administering public works programs. Thus, the Congress may be denied information and recommendations upon which to base its considerations for the establishment of new public works programs and for the authorization of and appropriation of funds for specific projects. In fact, to the extent that this new office insulates the Congress from the agencies which actually administer public works programs, the Members and committees of Congress and their staffs will be rendered impotent in carrying out the traditional role of the Congress to determine what public works projects should be undertaken by the Federal Government and what policies and criteria should apply.

We are not in favor of creating a czar over public works to set policies. And he will be setting policies which have been the responsibility of the Congress for years.

The administration is strongly opposed to the creation of this new Federal agency and, as pointed out in departmental reports on the bill and by administration witnesses who testified before the committee, the Office of Public Works Coordination and Acceleration would duplicate functions now performed by other governmental agencies and the establishment of such a new agency is neither necessary nor desirable, for planning, coordination, and administration can best be handled through existing agencies which now have program authority and which are presently engaged in public works or other programs on behalf of the President.

The following are excerpts of typical comments of departmental reports on H.R. 10113 and H.R. 10318, with respect to the creation of this new Federal agency:

Department of the Interior

"While there is considerable merit in the intent of these bills, we do not feel that the means proposed are necessary or desirable at this time. Public works programs now in progress are, in our opinion, being carried out satisfactorily. Necessary steps are now being taken by numerous agencies to provide needed coordination and long-range planning of contemplated public works programs.

"Thus, we feel that there would be a partial duplication of the functions to be performed by the Administrator, Coordinator, or Director with those already being performed by the various governmental agencies, including the Department of the Interior. It is difficult to determine from

these bills how those functions will be coordinated with those of other agencies having similar responsibilities for public works construction.

General Services Administration

"We believe that the establishment of an Office of Public Works Coordination and Acceleration as contemplated by H.R. 10113 is neither necessary nor desirable in connection with the planning, coordination, and administration of a public works acceleration program. It is felt that such planning, coordination, and administration can best be handled through those existing agencies which now have program authority and which presently are engaged in public works or other programs on behalf of the President."

Department of Health, Education, and Welfare

"We are in full accord with the general objectives of both bills. We also believe that a useful purpose would be served if, as proposed by H.R. 10113, there were maintained an up-to-date inventory of current and prospective public works construction projects, and that increased attention were accorded problems of coordination in this field. We do not believe, however, that the attainment of these goals requires the establishment of a new Government agency. The planning and coordination that is necessary to assure the initiation or acceleration of the most useful projects, when the economic situation requires such action, can best be done by the agencies which currently have program authority, with central leadership furnished through the agencies that now coordinate public works and other programs on behalf of the President."

Administration witnesses who appeared before the committee on both H.R. 10113 and H.R. 10318 expressed opposition to the creation of an Office of Public Works Coordination and Acceleration.

Mr. Alan L. Dean, Deputy Administrator for Administration, Federal Aviation Agency, said:

"As between the two bills, our major objection to H.R. 10113 is that it would create an additional Government agency. I don't, by such a statement, mean to imply that creation of additional Government agencies is necessarily in itself bad. However, we believe that additional Government agencies should be established only upon a finding of clear and sufficient need in this case.

"H.R. 10318 would permit existing agencies to conduct all planning, administration, and coordination and thereby eliminate the need for a special public works coordinating agency. We believe that acceleration can best be carried out by those agencies which are presently engaged in coordinating public works and other programs on behalf of the President."

Mr. David E. Bell, Director of the Bureau of the Budget, testified in some detail before the committee as to how existing Federal agencies can carry out the planning, administration, and coordination of public works programs without necessity of creating a new agency. In this regard, he said:

"It would be our expectation that the proposed capital improvements acceleration could be carried out with a minimum of new administrative machinery. We would anticipate that:

"The Council of Economic Advisers, in line with its regular duties, would:

"(a) Keep the President informed on the unemployment situation;

"(b) Make recommendations to him on when to invoke the standby acceleration authority and when to terminate it; and

"(c) Make recommendations on the volume and general types of public works to be undertaken or accelerated.

"The Bureau of the Budget, as part of its normal responsibilities, would:

"(a) Collect from all Federal agencies advance plans for the succeeding 5-year period, covering all Federal and federally aided public works, and prepare summaries of these plans;

"(b) Keep the Council of Economic Advisers and the President advised on the status of the inventory of eligible public works and the readiness of plans for public works construction authorized under the proposed standby bill;

"(c) When either the immediate or the standby authority becomes effective, advise the President on the administration and financing of the programs.

"The Housing and Home Finance Agency, in line with its statutory duty to provide Federal assistance both for comprehensive planning and for advances to finance preparation of plans for specific State and local projects, would:

"(a) Expand its advance planning assistance and conduct periodic surveys in order to make sure that an adequate backlog of eligible State and local public works is ready for use in event of a recession;

"(b) When either the immediate or the standby authority becomes effective, make grants and loans for State and local public works directly or through other Federal agencies, to finance projects or programs not already eligible for Federal grants.

"Each Federal Agency having direct responsibility for public works and for Federal aid to State and local construction would:

"(a) Continue and, if necessary accelerate preparation of advance plans so that new projects will be available for initiation when funds are made available under the standby authority;

"(b) If now authorized to provide financial assistance to States and local governments, continue to encourage and assist them in advance planning and to obtain reports of the status of such advance plans;

"(c) Submit information on Federal and federally aided public works to the Bureau of the Budget for central compilation and analysis;

"(d) When either the immediate or the standby authority becomes effective, make recommendations for initiation or acceleration of eligible projects and programs, including grants, administered by it; and

"(e) When the funds have been allocated to the agencies, make the contracts, grants, etc., necessary to carry out the decisions.

"Finally, it would be desirable, in our opinion, when either the legislation authorizing immediate acceleration of capital improvements becomes effective, or the President under the standby authority proclaims a capital improvements acceleration period, to supplement the existing administrative organization in one respect. While existing agencies would continue to be responsible, as indicated above, for the planning and administration of the various programs, the President would wish to designate a single individual to assure prompt and effective execution of the total program. Under the President's present thinking, he would wish to assign this responsibility to a member of the Cabinet, but he has not yet finally decided the matter."

Existing agencies can maintain an inventory of the status of all Federal and Federal-aid public works programs and projects, keep the President and the Congress informed on the unemployment situation, and make recommendations for regular public works programs and for the acceleration of programs to combat recessions, if the latter is deemed desirable. In fact, much of this is being done now as part of the regular duties of the Council of Economic Advisers, the Bureau of the Budget, and agencies administering public works programs. There is absolutely no need to create a new super-Federal agency to duplicate these functions.

One of the arguments that has been advanced in support of the establishment of this new agency is that it will be required to prepare and keep current at all times a public works plan which shall have as its basic purpose the acceleration of the construction of public works necessary to increase employment and to stabilize the economy when required to offset declines in economic activity, and such a plan is provided for in this bill. Again, there is no need to create a public works czar for this purpose. Such a plan can be prepared and maintained by existing agencies as a part of their regular duties. Furthermore, H.R. 10113 provides no procedures or authority for implementation of such a plan when it is prepared. Even the $900 million authorized to be appropriated by this bill will be expended without any regard to such a plan.

FURTHER INCREASE IN DEFICIT FINANCING

One of the most urgent problems facing this country today is to put the national economy back on a sound basis, which will promote full employment. This Nation has been on a deficit financing basis for 25 of the past 31 years. In fiscal year 1961 there was a $4 billion deficit. This year it appears there will be a $7 to $10 billion deficit, and there is every indication that a deficit of from $3 to $5 billion will exist next year.

No portion of the $900 million authorized to be appropriated by H.R. 10113 is contained in the budget, and expenditures resulting from this authorization will further increase the Government's deficit financing and will contribute to subsequent requirements to further raise the public debt ceiling above its present level of $300 billion, which within the past few days, the President has requested the Congress to raise to $308 billion.

Continuing deficit financing has resulted in a gradual increase in the general price level which in turn has produced a continuing decline in the value of the dollar. Since 1939 the dollar has gone down from 100 cents to 46.1 cents, as of March of this year. The decline in purchasing power further accentuates the unbalance between consumption of goods and services and the productive capacity of the Nation, which contributes to unemployment. There is no evidence to indicate that this long-term trend will come to an early end, and H.R. 10113 would further promote this trend.

It is important to recognize the adverse characteristics of inflation on economic growth and job creation. With inflation, the annually available capital, whether derived from profits or depreciation reserves, is not able to buy the same facilities or finance the same number of jobs. The persistence of unemployment in the United States in the recent years is not due to inadequate Government spending, but rather to inadequate private investment. It is the expectation of profit which causes people to invest money and create job opportunities. Unless people have a reasonable expectation of making a profit, there will be no expansion of employment in the private sector of the economy. It is essential to find ways and means to encourage growth in the private sector; the key elements of which are incentives and sound money. Business confidence is not enhanced by the Federal Government's inability to balance the budget, even when the economy is operating at the highest level on record. The crucial need for jobs is defeated by concentrating our attention on Government activities which produce inflation and reduce the capacity of the private sector to grow and produce jobs. Under these conditions, deficit spending, including that which will result from enactment of this

bill, is not likely to increase employment; in fact, it may have just the opposite effect.

INCREASED PRESIDENTIAL POWER

Section 9 of H.R. 10113 gives to the President the power and authority, which he has requested, to allocate funds authorized by the act in such amounts as he determines to heads of departments, agencies, and instrumentalities of the Federal Government of his choosing, for the initiation and acceleration of public works projects which the President or the heads of such governmental agencies may select. By the enactment of this bill the Congress would give the President unprecedented blanket authority to use appropriated funds in such amounts as he may determine for programs and projects of such types and at such locations as he may select. It is a far-reaching and dangerous precedent for the Congress to so abrogate its traditional and constitutional responsibilities to designate programs and projects for which authorizations are to be increased, to select projects to be constructed, and to determine the amounts of Federal funds to be appropriated therefor.

Under the provisions of this bill, the President is authorized to use the funds provided in the bill for the construction of any Federal public works projects, civil and military, which have been authorized by the Congress and any public works projects of States and local governments for which Federal financial assistance is authorized under other provisions of law. In prior precedents, even to offset the recession in 1958, the Congress increased specific programs by specific amounts, rather than delegating such power to the President.

Under this broad delegation of authority, the President can construct any public works project which is authorized by the Congress irrespective of how long ago the authorization may have been given and even though the Congress, subsequently, may not have seen fit to appropriate money for its undertaking. For example, this bill would empower the President to construct a navigation or flood control project, including dams, locks, canals, and power transmission facilities which may have been authorized by the Congress 30 years ago, but in which the Congress has subsequently lost interest and which has not been sufficiently justified before the Committee on Appropriations to secure the appropriation of funds to undertake its construction. Thus, the President could completely bypass the appropriation process and construct projects which, even though they have been authorized, would not be financed if reviewed and studied by the Congress in the discharge of its constitutional responsibilities to appropriate funds.

In addition to this usurpation of the authority of the Committee on Appropriations and the Congress as a whole, the Congress would also delegate to the President, in effect, the authority to both authorize and to appropriate funds for projects of States and local communities which have never been authorized by the Congress. The division of powers between the executive, legislative, and judicial branches is fundamental to our constitutional system of Government, and no President should be delegated powers which are essentially that of the Congress, as would be done by enactment of this bill.

UNLIMITED AREAS IN WHICH PROJECTS WILL BE ELIGIBLE FOR FEDERAL GRANTS

Even though the bill purports to limit the areas in which the President may authorize the initiation and acceleration of public works projects, the limitation is more illusory than real. So-called eligible areas are those (1) which the Secretary of Labor designates each month as having been areas of substantial unemployment for at least 9 of the preceding 12 months and (2) which are designated by the Secretary of Commerce under subsections (a) and (b) of section 5 of the Area Redevelopment Act as "redevelopment areas."

The bill provides that the criteria to be used by the Secretary of Labor in determining areas of substantial unemployment shall be the criteria established in section 6.3 of title 29 of the Code of Federal Regulations as in effect May 1, 1962, which principal criteria is that unemployment is 6 or more percent of the total labor force.

Thus, any area which has had 6-percent unemployment for 9 of the preceding 12 months can be declared an area of substantial unemployment and be eligible for grants of Federal funds under this bill. During the first 3 months of calendar year 1961 this condition was met for the entire United States on the basis of national unemployment percentage. Presumably, the entire United States could have been declared an area of substantial unemployment.

There are 882 areas and 50 Indian reservations which have been designated as redevelopment areas and 132 areas which have been designated for 9 of the last 12 months as areas of substantial unemployment, making a total of 1,064 areas in which grants of Federal funds would now be eligible if this bill is enacted into law. For all practical purposes the entire United States is, or probably can be blanked by the designation of such areas, which will afford the President complete freedom in selecting the projects which he wishes to be the recipient of Federal grants.

PRESIDENTIAL CREATION OF NEW FEDERAL AID PROGRAMS

The President is authorized by section 9 of the bill to initiate and accelerate public works projects of States and local governments for which Federal "financial assistance" is authorized by other provisions of law, and for the construction of which funds authorized to be appropriated by the bill may be used to pay 50 percent of the cost, notwithstanding any existing provision of law requiring Federal contribution to be less than 50 percent. The broad and general term "financial assistance" is not defined in the bill and seems to apply to any project for which financial assistance of any kind is authorized under existing law. Thus, projects for which the Congress has authorized only loans, or has authorized grants or advances of Federal funds merely for planning or for making surveys and studies would, by enactment of this legislation, appear to become eligible for construction grants up to 50 percent of the cost of such projects.

Under section 11 of H.R. 10113, the Administrator of the Housing and Home Finance Agency is specifically authorized to make grants from the funds authorized to be appropriated by the bill to any municipality, community, or any other political subdivision or instrumentality of a State, to pay 50 percent of the cost of constructing any public works or facilities which are eligible under existing law for an interest-bearing loan from the Community Facilities Administration. So as to make this grant provision applicable to projects which now would not even be eligible for a loan, section 11 of this bill would also amend section 202 of the Housing Amendments of 1955, so as to make the existing limitation on loans being available only to municipalities or subdivisions having a population of less than 50,000 (or 150,000 in the case of a community situated in an area designated as a depressed area under section 4 of the Redevelopment Act) inapplicable to grants under H.R. 10113.

By these provisions, the Congress would authorize the President, through the allocation of funds to the Administrator of the Housing and Home Finance Agency to, in effect, both authorize and appropriate funds for Federal grant-in-aid programs which the Congress has never heretofore authorized, and for which moneys have never heretofore been appropriated. Any public works or facilities which a municipality, community, or subdivision or instrumentality of a State is authorized or permitted under State law to construct, would be eligible for a 50-percent grant under H.R. 10113. The only limitation that has been placed upon the types of projects eligible for loans by the Community Facilities Administration has been to administratively exclude school construction. However, even this exclusion could be eliminated by the Administrator of the Housing and Home Finance Agency at any time with respect to loans under existing law, and it may never be made applicable to grants under H.R. 10113. In any event, any school construction which is now provided Federal assistance under other provisions of law would be eligible for grants under this bill.

Under H.R. 10113 the President could commence Federal grant-in-aid programs for the construction of city halls, police stations, jails, fire stations, public parks, recreation centers, swimming pools, ski lifts, tramways, golf courses, mass transit facilities, public parking, fish hatcheries, zoos, public buildings, museums, and any other type of public facility which the municipality or State subdivision or instrumentality may construct under State law. It is obivous that this is a backdoor community facilities bill. A number of State and local officials testified before the committee of their desires to construct such projects with funds to be authorized by this bill.

H.R. 10113 authorizes the President to commence all such new Federal grant-in-aid programs, if he desires to do so, without the Congress having ever made any determination as to the desirability or need for establishing such programs and without ever having previously authorized the making of grants therefor.

In one fell swoop, by enactment of this bill, the Congress will authorize the President to establish many new Federal grant-in-aid programs, limited only by the ingenuity and imagination of State and local officials and Federal bureaucrats, all of which will be done without benefit of the searching scrutiny which Congress has traditionally given to the commencement of new Federal grant-in-aid programs when considered on their individual merits. Of course, the $900 million authorized to be appropriated by this bill would be a limiting factor, initially, on the size of these new Federal-aid programs; however, once established, great pressures would be brought to bear upon the Congress to continue them.

The Congress has a constitutional duty and a responsibility to the people of this country to carefully study the need and the justification for any new Federal grant-in-aid program before it is authorized. If such new programs are to be established, the Congress should carefully consider the amounts of money to be made available for each such program, and the percentage of the costs of individual projects which should be paid from Federal funds, as well as the establishment of criteria for such projects. The Congress would be abandoning its duty and its responsibility to the people if it should delegate this power of determination, which is the Congress alone, to the President. It is incredible for the President to ask the Congress to give him such unlimited powers, and it is fantastic for the Congress to consider doing so.

INCREASED FEDERAL COST OF PROJECTS

Not only would H.R. 10113 authorize Federal grants to pay 50 percent of the cost of public works projects of municipalities and

subdivisions and instrumentalities of the States for which no Federal grants are now authorized by existing law, but with respect to any presently authorized Federal grant-in-aid program for which the Federal contribution to the cost of projects is less than 50 percent under existing law, the Federal share would be increased to 50 percent under this bill.

To illustrate how this would work, consider as an example a sewage treatment plant to be constructed by a municipality at a cost of $30 million. Under the Federal Water Pollution Act this project could be eligible for a Federal grant not to exceed 30 percent of the estimated cost of the project, or $600,000, whichever is the smaller. Under existing law this project could be eligible for a Federal grant of $600,000; however, under H.R. 10113, this project could be eligible for a grant of 50 percent of the cost, or $15 million.

The extent of the Federal interest in various kinds of public works and the extent of the Federal responsibility for payment of part of the costs of particular programs and projects have been carefully considered by the Congress over a period of many years, and it would be the height of foolishness and irresponsible action for Congress to enact this bill to summarily set aside these established formulas for Federal participation.

SOME OTHER SOLUTION MUST BE FOUND

The increased public works spending authorized by H.R. 10113 is not going to solve the unemployment problem; in fact, it is not even an effective first-aid treatment. Sooner or later—and we hope it is sooner—the Congress and the administration are going to have to face up to the real causes of our ever-worsening economic situation and take action to get to the heart of the problem for its ultimate solution.

When productive capacity so far outdistances consumption of goods and services, as is the case in the United States today, critical unemployment inevitably results. The reason for this unbalance between productive capacity and consumption is not because of the lack of desire for the products of our capacity. In fact, economists generally agree that the desire for goods and services far exceeds the productive capacity of the Nation. This desire is unsatisfied and our productive capacity is not consumed because of the inability of people to buy. If consumption and productive capacity are brought into balance, for all practical purposes unemployment will be eliminated. Obviously the answer is not to decrease productive capacity to bring it into balance with consumption; on the contrary, productive capacity should be ever increased, by improved technology, automation, and an improved business climate, so as to produce more goods cheaper for the benefit of all people, and thereby promote a continuing increase in our standard of living and permit this country to become more competitive in the world markets.

These goals can only be obtained by increasing consumption. Not only would the unsatisfied desire for goods and services be met, but as consumption increases jobs are created and unemployment declines. Furthermore, as consumption increases, the growing market demand would stimulate additional capital investment which, in turn, would create more jobs and further increase consumption of goods and services.

CONCLUSION

In our opinion this bill is ineffective to provide immediate employment, and over a period of 2 years, or more, at best it will create jobs for only about 3 percent of the persons now unemployed. Whereas, this bill purports to offer hope for the millions now unemployed, in reality, it will only bring more disillusionment and despair when its inadequacies become known. Enactment of this bill is entirely too high a price to pay, both in dollars and in the unwise delegation of congressional powers to the President, in return for the few temporary jobs which will be created too late to be of any immediate assistance to those who now desperately need work, want to work, and cannot find employment.

The real end result of this bill is to give the President a book of blank checks with authority to draw $900 million from the Treasury of the United States and to use such amounts thereof as he decides for the construction of projects he selects in localities of his choosing. Under the authority of this bill the President can approve or withhold funds for projects in such a manner as to coerce Members of Congress to support his New Frontier program, or to buy political support for favored candidates for public office, or to pay political obligations.

When the people of this country learn what this bill does and does not do, they will strongly resent the political contrivance to give the President a political slush fund to be paid for by the taxpayers.

We are gravely concerned over the seriousness of the continuing unemployment problem and urge that the Congress take immediate action to find a real and effective solution to this problem rather than to enact this abortive legislation.

Thomas Jefferson warned against traveling the road down which the present administration is taking this country, when he said: "I place economy among the first and most important virtues, and public debt as the greatest of dangers to be feared. To preserve our independence, we must not let our rulers load us with perpetual debt. We must make our choice between economy and liberty, or profusion and servitude. If we run into such debts, we must be taxed into our meat and drink, in our necessities and our comforts, in our labors and in our amusements. If we can prevent the Government from wasting the labors of the people, under the pretense of caring for them, they will be happy."

JAMES C. AUCHINCLOSS, GORDON H. SCHERER, WILLIAM C. CRAMER, JOHN F. BALDWIN, FRED SCHWENGEL, EDWIN B. DOOLEY, HOWARD W. ROBISON, PERKINS BASS, WALTER L. MCVEY, CARLETON J. KING, JAMES HARVEY, JOHN C. KUNKEL, LOUISE G. REECE.

Mr. FLYNT. 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 Georgia?

There was no objection.

Mr. FLYNT. Mr. Chairman, when the bill is read for amendment at the appropriate time I intend to offer an amendment to section 9, on page 16.

The amendment which I propose to offer is as follows:

On page 16, line 17, strike out the period after the word "areas", insert a semicolon and the word "and", and add a new paragraph as follows:

"(3) any other area which the governing official or governing body thereof certifies to the Secretary of Commerce is an area of substantial unemployment."

The purpose of this amendment is to permit the filing of applications by cities and counties which in good faith believe themselves to qualify as an area of substantial unemployment. Under the terms of my amendment the burden of establishing such eligibility would be upon the applicant.

The adoption of this amendment would not of itself authorize a grant to an ineligible area because eligibility would have to be established. It would, however, permit the filing and processing of applications submitted in behalf of areas where the governing official or governing body certifies that such area is an area of substantial unemployment and the area concerned could be authorized to receive a grant under the provisions of this act if it were determined to be eligible during the period intervening between the filing of the application and the time the decision upon the application is made.

I hope that the floor managers of the bill will agree to the amendment and that it will be adopted in the Committee of the Whole.

Mr. GROSS. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Mr. BLATNIK. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. KEOGH, 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. 10113) to establish an Office of Public Works Coordination and Acceleration, to authorize the preparation of a plan for acceleration of public works when necessary to avoid serious nationwide unemployment levels, and for other purposes, had come to no resolution thereon.

NONJUDICIAL PUNISHMENT

Mr. RIVERS of South Carolina. Mr. Speaker, by direction of the Committee on Armed Services, I ask unanimous consent to take from the Speaker's table the bill (H.R. 11257) to amend section 815 (article 15) of title 10, United States Code, relating to nonjudicial punishment, and for other purposes, with a 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:

IN THE SENATE OF THE UNITED STATES,
August 25, 1962.

Resolved, That the bill from the House of Representatives (H.R. 11257) entitled "An Act to amend section 815 (article 15) of title 10, United States Code, relating to nonjudicial punishment, and for other purposes" do pass with the following amendment: On page 2, line 6, after "demand." insert: "However, except in the case of a member attached to or embarked in a vessel, punishment may not be imposed upon any member of the Armed Forces under this article if the member has, before the imposition of such punishment, demanded trial by court-martial in lieu of such punishment."

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

TO COMPEL PRODUCTION OF DOCUMENTARY EVIDENCE

Mr. ROGERS of Colorado submitted a conference report and statement on the bill (S. 167) to authorize the Attorney General to compel the production of documentary evidence required in civil investigations for the enforcement of the antitrust laws, and for other purposes.

VIRGIN ISLANDS NATIONAL PARK BOUNDARIES

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to 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 Colorado?

There was no objection.

Mr. ASPINALL. Mr. Speaker, yesterday because of the mixup in procedures, those wishing to speak on S. 2429 were unable to get their statements into the RECORD while the bill was being considered. It is my feeling that if the legislation could have been considered under a more temperate atmosphere, that the action on the bill might have been favorable. It is for this reason, Mr. Speaker, that I have asked that the statements of myself, of Mr. RUTHERFORD, chairman of the Subcommittee on National Parks, and of Mr. SAYLOR, ranking minority member, be placed in the body of the RECORD so that the membership may really understand what is involved in the legislation.

Mr. Speaker, S. 2429 concerns the Virgin Islands National Park. This park was established in 1956 pursuant to an act of Congress of that year. Its authorized boundaries include about 9,500 acres or two-thirds of the island of St. John. The total population of the island, according to the 1960 census, is 925, most of whom live outside the park boundaries. About 6,200 of the 9,500 acres within the boundaries have been donated to the United States by Mr. Laurance S. Rockefeller and his associates who acquired them at a cost of over $4 million.

Althought it is small in comparison with many of our great national parks in the West, the Virgin Islands National Park is one of the gems of the national park system. The lush tropical vegetation which typifies the island of Saint John, the coral reefs which surround it, the 1,200-foot mountains which dominate its landscape, the many remains of forts and plantation homes which remind us that it was a flourishing community in in the 18th century, and the petroglyphs which remain from a still earlier period when it was the home of Arawak and Carib Indians—all these, taken together, make it unique among our national conservation and recreation areas.

The time has come, Mr. Speaker, to round out the Federal holdings in this little national park. As the figures I have already given indicate, there are about 3,300 acres within the authorized boundaries that remain to be acquired. The Committee on Interior and Insular Affairs has been advised that some of the remaining owners are unwilling to sell at what is considered a reasonable price. It would, of course, be unfair to expect continued donations in this situation. Hence the amendment to the basic 1956 Act which S. 2429 proposes will do two things. It will remove the provision which forbids land acquisition except by donation or with donated funds, and it will vest the National Park Service here, as is the usual case in our national park system, with powers of condemnation. The latter is necessary in order to improve the negotiating position of the Government and will, we hope, have this effect even though it may never be used.

The Park Service estimates that the 3,300 acres that remain to be acquired will cost about $2,500,000, or an average of a little less than $760 per acre. An amendment to the bill which the committee recommends provides, however, that not more than $1,250,000 is authorized to be appropriated for this purpose. The remainder, it is expected, will be donated to the Government. In fact, the committee has been informed that $500,000 is already on hand for this purpose. I hope the House will concur in my and the committee's estimate of the great value to the Nation of these philanthropies and of the reasonableness of the Government's taking over a share of the burden from here on out.

The second purpose of S. 2429 is to add to the park two areas of submerged land plus a few small cays and rock islands off the coast of Saint John. One area on the north shore includes 4,100 acres, the other on the south shore includes 1,550 acres. The Advisory Board on National Parks, Historic Sites, Buildings, and Monuments has recommended that areas such as these be included in the park.

These additions will cost little or nothing, since the United States already owns the submerged land. In a bill passed by the House a few months ago—H.R. 4860 by Congressman O'BRIEN of New York—under which the submerged lands adjacent to the Virgin Islands, Guam, and American Samoa will be transferred to the jurisdiction of the governments of those territories, we specifically authorized the President to reserve such areas as these from the transfer.

The inclusion of these 5,650 acres is desirable for several reasons. They include important and beautiful coral formations which deserve to be protected from depredation by souvenir hunters and commercial interests. They are also an important habitat of tropical fish, spiney lobsters, and mollusks that attract, but need protection from, spear fishermen, tourists and others. Finally, the National Park Service has plans for the development of underwater trails for visitors which will add greatly to the attractiveness of the park.

Mr. Speaker, these two purposes of S. 2429 deserve the support of the House. I recommend that the bill be enacted.

VIRGIN ISLANDS NATIONAL PARK BOUNDARIES

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. RUTHERFORD] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. RUTHERFORD. Mr. Speaker, I regret that circumstances on Monday did not permit a full examination of the merits of S. 2429, a bill to revise the boundaries of the Virgin Islands National Park, and that the House had before it, at the time it voted, a completely one-sided appraisal of the bill. I think a further explanation is in order so that Members may see what this bill is all about.

Section 1 of the bill makes a part of the Virgin Islands National Park two areas, mostly submerged land, which lie off the shores of the island of Saint John. They are to be included within the park boundaries in order, in the language of the bill, "to preserve for the benefit of the public significant coral gardens, marine life, and seascapes in the vicinity" of the park.

It has been our usual practice, in connection with the national seashore program, to include offshore areas. This has been done at Cape Hatteras, N.C.; Cape Cod, Mass.; and Point Reyes, Calif. Why it was not done at the time the Virgin Islands Park was created, in 1956, I do not know and our records do not show. Perhaps it was not thought of. Be that as it may, enactment of S. 2429 would correct this defect in the original law and make the Virgin Islands Park still more of an attraction to visitors than it already is. One of the important results would be to put under the protection of the National Park Service law the coral, spiney lobsters, tropical fish, and other flora and fauna with which these two areas abound and thus to fulfill the prime objectives of any national park—"to conserve the scenery and the natural and historic objects therein and to provide for the enjoyment of the same in such manner and by such means as will leave them unimpaired for the enjoyment of future generations."

The two areas of which I speak include 5,650 acres. All of the land, except possibly for a few rock islands, is already owned by the United States. Enactment of section 1 will thus cost the United States nothing. The bill should pass if for no other reason than those I have just set out.

Section 2 deals with the subject of land acquisition in the Virgin Islands National Park. When the park was authorized in 1956, the law provided that its lands could be acquired only by donation. Sixty-two hundred acres have already been donated to the Government, but there are still 3,300 acres within the authorized boundaries that need to be acquired. The estimated cost of doing so is $2,500,000, but funds will be available on a matching basis to procure these lands and the cost to the Treasury will, therefore, be half this amount.

This authority is needed because of the fact that the owners of the remaining lands, or some of them, are asking exorbitant prices for their lands which those who have been acquiring and donating them to the Government up to this time ought not to be asked to pay. The National Park Service, fortunately,

does not often have to resort to condemnation, but the bare existence of authority to condemn will be an important factor in keeping prices within reason. In this case there are good grounds for making available to the Secretary of the Interior the same authority that he has generally with respect to the national park system.

Like everyone else I wish that the original expectation that all of the lands to be acquired would be donated to the United States could be fulfilled. This is not to be, and the fact that it is not to be cannot be blamed on anyone. The fact is that Mr. Laurance S. Rockefeller, the donor of the 6,200 acres that are now in the park, has been extremely generous. We would, in my judgment, be derelict if we did not show some sense of obligation on our part and reciprocate at least to the extent that S. 2429 contemplates we will.

Section 3 is designed to assure those who have customarily used the water areas and the rock islands that are being included in the park that their practices will not be disturbed as long as they conform to reasonable regulations designed to preserve the natural conditions that exist there. In order to avoid any implication that the Virgin Islanders are being given privileges which other Americans do not have, the committee adopted an amendment striking out the words "by residents of the Virgin Islands."

Finally, the amendment to section 4 sets a limit on the amount of money authorized to be appropriated for land acquisition purposes. This amendment replaces other language which would have given open-ended appropriating authority.

Mr. Speaker, I think this sufficiently outlines the contents of S. 2429 and indicates the reasons therefor. I hope that the unfortunate action of the House on Monday, whereby, even though a majority of those voting favored the bill, it was defeated because it did not receive a two-thirds majority, will be corrected.

VIRGIN ISLANDS NATIONAL PARK BOUNDARIES

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. SAYLOR] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. SAYLOR. Mr. Speaker, yesterday the House of Representatives refused to suspend the rules and pass S. 2429, an act to revise the boundaries of the Virgin Islands National Park, St. John. V.I., and for other purposes.

The gentleman from Washington [Mr. WESTLAND] made some statements that need clarification, for I am sure he had no intention of misleading the Members of the House.

The bill describes in detail two new areas that are to be included in the Virgin Islands National Park—the North Offshore Area of 4,100 acres and the South Offshore Area containing approximately 1,550 acres.

The bill also authorizes the Secretary of the Interior to acquire within the boundaries of the Virgin Islands National Park as established by the act of August 2, 1956, lands, waters, and interests therein by purchase, donation, with donated funds, or by condemnation or exchange. At present, such acquisition may only be by donation.

Mr. Laurance S. Rockefeller, through his own personal efforts and funds, has acquired all of the land—over 6,000 acres—that is now included within the boundaries of the park and has donated $500,000 to be used to match Federal appropriations for acquisition of additional land. Passage of S. 2429 will make it possible to put this donation to work.

I was a Member of the House and of the Committee on Interior and Insular Affairs when the act setting up the Virgin Islands National Park went through in 1956. I have searched my memory and I have searched the record, and I am satisfied that it was not contemplated that the Virgin Islands National Park would be created entirely on donated land, that there would never be any appropriated funds made available for this purpose. True, we did not authorize acquisition at that time except by donation, but it cannot be said that we ruled out appropriations forever.

I also take issue with statements that the land will be better used if it is broken up into small tracts for homesites. There were very few people living on it in 1956 and there are fewer still today. I do not doubt that many of us would like to buy a slice of this land and live in a Caribbean paradise for the rest of our lives. I would. But the same sort of person might like to buy a piece of Yosemite, or Cape Hatteras, or Yellowstone and we would never think of letting him do so. Why the Virgin Islands? I do not know the reason behind it, but I do know that it is totally inconsistent with what we in this House have done twice within recent months when we passed the Cape Cod and Point Reyes bills.

Mr. Speaker, I hope that Members who were influenced by the arguments presented yesterday will think the matter over and come to a better conclusion the next time they vote on it.

FREEDOM FROM WAR—THE U.S. PROGRAM FOR GENERAL AND COMPLETE DISARMAMENT IN A PEACEFUL WORLD

Mr. WHITENER. 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 North Carolina?

There was no objection.

Mr. WHITENER. Mr. Speaker, it has been said that the American people are the best informed citizens of any nation in the world. Through our newspapers, periodicals, radio and television stations our people have the means of keeping informed on all the vital issues affecting our national welfare.

In addition to private channels of information, the American people have access to a tremendous number of publications and visual aids furnished by the Federal Government. The Government Printing Office is constantly turning out a large volume of publications for various agencies and departments of the Government on every conceivable subject.

The Federal Government has a tremendous responsibility of guaranteeing that the American people receive accurate information in publications issued at the taxpayers' expense. During my service in the Congress I have noted several publications which I felt did not fulfill this responsibility of keeping our people accurately informed.

It was my privilege some time ago to read State Department publication 7277, entitled "Freedom From War, the U.S. Program for General and Complete Disarmament in a Peaceful World." I feel, Mr. Speaker, that this booklet has given a distorted picture of the disarmament policy of the United States. One would gather from reading the pamphlet that our Nation is committed to a program of disarmament which would leave our Nation at the mercy of the Communist aggressors. I have been assured by the Department of State, of course, that such is not the case.

Nevertheless, the loose manner in which the booklet has been written has led many of our people to believe that the United States is about to surrender its sovereignty and deliver our Armed Forces to the control of the United Nations. It has also enabled the opponents of peaceful disarmament to use the booklet to further their arguments in opposition to the United Nations. Others have found the booklet useful for partisan politics.

Mr. Speaker, it is not hard to understand, after reading State Department publication 7277, why the American people are confused as to our disarmament program. The generalized, idealistic, distorted statements made in the publication can only serve to further confuse our people on a subject about which there is already too much confusion.

I recommend, Mr. Speaker, that the State Department take steps to immediately withdraw publication 7277 from circulation and initiate action to have the booklet revised to reflect that the disarmament policy of the United States is not designed to surrender our national sovereignty and interfere with the ability of our Armed Forces to protect our country.

TARIFF ACT OF 1930—NOW HURTS RUBBER FOOTWEAR INDUSTRY

Mr. LANE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. LANE. Mr. Speaker, American manufacturers of rubber footwear are suffering from the competition of imports that exploit an outdated provision of the Tariff Act of 1930.

Unchanged since then, that act provides that "boots, shoes, or other footwear, wholly or in chief value of india rubber" are dutiable at the rate of 12½ percent ad valorem. The duty is assessed on the American selling price. The catch is in that limitation—"india rubber."

In the past 32 years, synthetic rubber and plastics have extensively replaced india rubber in the manufacture of such footwear.

The Bureau of Customs, adhering to the strict letter—but not the practical reality—of the Tariff Act, has ruled that, under the similitude provisions, footwear largely manufactured from synthetic rubber or plastics shall not be assessed on the American selling price. This loophole permits imports to undersell these American products here in our home market.

The Tariff Commission, in its report of June 29, 1962, drastically amended the description of waterproof footwear, holding the application of the American selling price to footwear having over 50 percent of its rubber portion composed of natural rubber. The Commission's action was forced by the rigid ruling of the Bureau of Customs.

The Commission recognized the injustice of this interpretation but implied that its hands were tied, and that it was not in a position to provide a remedy:

> Footwear of natural rubber or synthetic rubber, or combinations thereof, are not commercially distinguishable and should receive like treatment for value purposes. In view of the significant trade involved, and the fact that the Commission's present study is primarily a classification revision and consolidation, any correction of this valuation anomaly is a matter for legislative consideration.

When the Tariff Act of 1930 was drafted, natural—india—rubber was the only raw basic material available for use in this type of footwear. Subsequently, synthetic rubber and synthetic plastics were developed and they are now standard materials, along with natural rubber, in the manufacture of these products. The domestic industry produces footwear made with natural rubber, synthetic rubber, and plastics. Foreign manufacturers are importing into the United States similar footwear made of similar materials.

But, by taking advantage of the obsolete definition in the Tariff Act, and by manufacturing for import into the United States, footwear composed of less than 50 percent by weight of natural rubber, they evade assessments based on the American selling price.

Foreign manufacturers are profiting by the neglect of Congress in modernizing the archaic definition, and are undermining the competitive position of our own manufacturers.

To correct this deteriorating situation, I have introduced a bill to redefine the term "india rubber" as used in the footwear provision of 1537(b) of the Tariff Act of 1930, revised, to cover natural rubber, synthetic rubber, and plastics.

THE STATE DEPARTMENT

Mr. SCHADEBERG. Mr. Speaker, I ask unanimous consent to 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 Wisconsin?

There was no objection.

Mr. SCHADEBERG. Mr. Speaker, I should like to quote from Kipling:

> If you can stand to hear the truth you've spoken
> Twisted by knaves to make a trap for fools.

Mr. Speaker, I want to call the attention of the House to an article in the Foreign Service Journal of August 1962 which makes a personal attack on Frank Kluckhohn, who wrote an article on the need for changes in the State Department in the January Reader's Digest. The article asserts that Mr. Kluckhohn dealt in motives and personalities and attacks him for a singular public disservice. Although the Journal, supervised by Mr. Charles E. Bohlen, as president of the Foreign Service Association, attacks Mr. Kluckhohn by name, the truth is that Mr. Kluckhohn did not mention the name of a single person in citing cases to illustrate points.

I am sure that Mr. Kluckhohn can bear hearing the truth he has spoken twisted, but I think it well that Congress, the Foreign Service, and the country have the truth. Under unanimous consent, I include an excerpt from the Foreign Service Journal and the Reader's Digest article in the RECORD, and hope the Department of State will send a copy to every officer in the Foreign Service, abroad and at home:

[From the Foreign Service Journal, August 1962]

THE TROUBLE WITH STATE

Frank Kluckhohn's article in the January Reader's Digest, while presumably well intentioned, constituted a singular public disservice since its focus was primarily on motives and personalities, and where it examined issues at all, it did so inaccurately and superficially. The disservice was compounded, since Mr. Kluckhohn, by simply pointing with alarm at those people in the State Department, in effect removed his readers from a position of responsibility and a sense of engagement in the foreign affairs process; he merely contributed further easement to what should, on the contrary, be an increasingly active public conscience about international affairs.

IS THE STATE DEPARTMENT FAILING US IN THE COLD WAR?

(By Frank L. Kluckhohn)

While Americans watch, the driving engine of Communist aggression rolls relentlessly on, dealing us psychological and political defeats in every corner of the world from Laos to Cuba to Berlin. And as our record of cold war losses mounts, people ask: What's wrong? What has happened to the experts who shape and carry out our foreign policy? Why are not we fighting back effectively?

I believe I know the answer. As one who has spent many years amid State Department activities, I am convinced that our diplomatic bureaucracy is itself in large measure responsible for the setbacks this Nation has suffered. Time and again State has demonstrated (1) unwillingness to face the reality of an enemy bent on our destruction, (2) inability to compete.

Our Foreign Service officers are essentially gracious, well-intentioned men, but too many are professional pussyfooters who, in the tradition of watchful waiting, let matters slide while hoping for Khrushchev to begin observing the Golden Rule. They dilute and defeat our power and prestige across the world. Their presence does a disservice to the many others at State who have served their country valiantly and who are eager to prosecute the cold war effectively. Scores of these latter men are frustrated, often sick at heart, because they are unable to make any headway under our Foreign Service system.

There is perhaps no more devastating illustration of the State Department's inability to cope with Communist intrusions than Cuba. Consider some of the events that set the stage for the final tragedy, the abortive invasion of last spring.

By April 1959, 3 months after Fidel Castro took power, intelligence reports from the CIA, Pentagon representatives and the FBI all pointed to a Communist takeover in Cuba. Robert C. Hill, then our Ambasador to Mexico, knew that Moscow agents were already shuttling back and forth between the Soviet embassies of Mexico City and Havana. He tried to warn Washington, he told the Senate Internal Security Subcommittee later, that failure to take action would mean "a solid Communist bastion on the doorstep of the United States." But his reports—as well as those of the CIA, FBI and the Pentagon—failed to break through the bureaucracy and reach the decisionmakers. Department analysts downgraded the Red threat and took a go-easy view.

Hill knew that firsthand reports on Cuba often were not carefully read by higher-ups at State or the White House; instead, these men perused intelligence summaries prepared by faceless State analysts—summaries which, Hill says, were often prejudiced. One of these State briefs, No. 179 dated July 24, 1959, as circulated to our embassies around the world, was so transparently sympathetic to Castro that Hill complained bitterly to Washington. Only 3 months later did he receive a bland letter admitting that the report had been prepared by a junior officer and "perhaps should have been more carefully scrutinized."

Desperate to get word through to the top about danger in Cuba, Hill jumped at an opportunity to brief Dr. Milton Eisenhower, the President's brother, who was on a goodwill visit to Mexico in August 1959. The encounter took place in an Air Force C-47 flying Dr. Eisenhower to Mazatlán. Seated on a curved divan in the middle of the plane were Dr. Eisenhower, Hill and Raymond Leddy—our Embassy's secretary for political affairs in Mexico City, graduate of the FBI and a seasoned Cuban and intelligence expert. Also present was the State Department officer in charge of Caribbean-Mexican affairs.

From the start, this latter official opposed the briefing. "Each time that communism was mentioned, and its control of the situation in Cuba, it was discounted by this man," Hill testified before the Senate Internal Security Subcommittee.

As Leddy tried to make his presentation, the State man kept breaking in to insist that Castro was an idealist whom he knew personally, and that there was no evidence in the State Department's files to confirm Leddy's point of view. Annoyed at the interruptions, Hill turned to the man and said, "I do not recall asking you to be in on this conversation. Dr. Eisenhower has agreed to listen to a man of integrity and experience in Latin America. What Mr. Leddy is discussing comes from the joint intelligence report of June regarding Communist infiltration in Cuba."

The man persisted: "There is no evidence of Communist infiltration in Cuba." At this point, an air attaché who had joined the conversation became so incensed that he accused the man of being "either a damn fool or a Communist."

By then tempers were so short that Dr. Eisenhower refused to hear more. He never saw the report. And thus, high in the air over Mexico, Hill's last effort to reach the White House with a warning about Cuba came to a dismal end.

In Costa Rica, U.S. Ambassador Whiting Willauer from January 1959 through July 1960 wrote 11 letters to the State Department sounding the alarm about communism entrenching itself in Cuba. The FBI also funneled information to State concerning the Communist connections and associations of Fidel and Raúl Castro. These reports, too, failed to get through the lower levels of the bureaucracy. When the subject arose in conversation one day between J. Edgar Hoover and the then Secretary of State, Christian Herter, the latter said he had never seen any such material. The next day Hoover received a phone call from Herter. "I have now read some of those reports," said Herter. "I did not realize that the situation was so serious."

In December 1960, Herter called Willauer back from Costa Rica to become a special assistant. His assignment: To take a hard look at tentative invasion plans of the Cuban refugees, then undergoing consideration at CIA. Willauer relates that he made an intensive study and finally concluded that, to insure success, we would have to back up the invasion with U.S. power.

The Kennedy administration, when it came into office in January 1961, asked Willauer to continue in his assignment. Now, however, he found himself strangely cut off from his CIA contact. For 30 days Willauer tried to tell Under Secretary of State Chester Bowles that he was being removed from the picture. "I'm awfully busy. I will see you later," said Bowles, but he never did. Willauer says he was never able to pass along his conclusions. Thus his painstaking effort went for nothing, while less knowledgeable practitioners at State and the White House scuttled the plan to use effective U.S. force if needed. And so the Cuban invasion was doomed in advance.

Why does the State Department operate in this manner? How does our Foreign Service mold men who so mishandle the cold war?

There are now 23,000 persons on State's payroll, the controlling group being the 3,628 Foreign Service officers. Typically, a young FSO steps into the Department direct from college. For 6 to 8 years he stamps visas or does routine embassy chores while being shifted around the world. Even as he accumulates seniority and begins to assume responsibilities, he rarely has to make an individual decision. Whatever reports he turns out are initialed and OK'ed by so many persons that he doesn't have to worry about being blamed personally if things fail to go right. In fact, his basic technique for advancement in the bureaucratic morass comes to consist of avoiding the displeasure of his immediate superior, or identification with any controversial action, even when the avoidance may mean ignoring a problem that could build up to a disaster.

After 20 years he has learned the fine art of diplomacy, but he may have scant ability to make fundamental judgments and the necessary fast, hard decisions. Yet he's now considered an expert in foreign affairs, and is likely to be praised when in time of crisis he pontificates about the great shifts and the aspirations of masses that made these problems so inevitable. Such mere observers of the sweep of history, who seldom act but only react, have no place on the political firing line; they are, in fact, the cause of many of our cold-war woes.

Whether or not the diplomat becomes skilled at anticipating Communist moves or combating Red riots, he does become expert at self-advancement in the bureaucracy. Here are some points in the unwritten code for getting along in the Service which have contributed to so many of our present difficulties:

Rule 1: Don't rock the boat.

In December 1960 the Soviet Union brazenly sent cargo planes to deliver military supplies to Communist forces in Laos. Head-on action to counter the Soviets was called for. But, fearful of upsetting India and other nations regarded as neutrals, our diplomats bucked plans to give the pro-Western Lao forces any means to stop the airlift—even so little as an antiaircraft bazooka. And so the chance to keep Laos from becoming riddled with Red guerrillas faded away, and Soviet intrusion continues.

Caution dominates in the arena of words, as well as of action. In 1953, a specialist on Red brainwashing of American prisoners of war in Korea was brought to the White House to help prepare a speech for Dr. Charles Mayo, then one of our representatives at the United Nations. When the address was ready, a high-ranking Foreign Service officer showed up with a policy paper in hand and said to forget the project because it was "too strident—foreign countries wouldn't be interested." In answer, the Presidential adviser threw the State policy paper in the wastebasket.

"You can't do that" the man from State exclaimed. "You've got to go through channels."

Fortunately, the White House man was not inclined to be pushed around, and so in November 1953 a rapt U.N. audience heard Dr. Mayo deliver the speech. It was one of our few outstanding propaganda successes. The Russians were forced to stop their false accusations that the United States had resorted to germ warfare in Korea, for every time they mentioned the subject, listeners were reminded of how the evidence was obtained: through the chilling process of brainwashing captured U.S. soldiers.

President Eisenhower was never able to carry out some of his plans because they were bucked at the State Department. "We're out to fight communism," one White House official said to me, "but what stops us cold is the marshmallow curtain that falls down at State whenever you try to carry out a determined, aggressive program against the Communists."

Rule 2: Avoid making any decision for which you may be held personally accountable.

A week before Vice President Nixon arrived in Venezuela during his 1958 Latin American trip, our Embassy there cabled that the Vice President might not get essential protection unless we complied with a Venezuelan demand to return two political exiles. Precious days went by as, up and down the line, our officials dodged making the hard decision of what to do about the exiles.

They were still dodging when Nixon arrived in Caracas—and came within a hairbreadth of being torn apart by a mob. Only then was an official of the Venezuelan Embassy in Washington bluntly told that U.S. paratroopers at that time in flight from Fort Benning would go right on into Caracas at once unless his Government rallied to Nixon's aid. A phone was put in his hands, and within 20 minutes protective tanks pulled up around our Embassy in the Venezuelan capital, where Nixon had found momentary shelter. The whole affair was a serious psychological defeat for the United States, as well as a narrow escape for our Vice President—and it need never have happened. But it's easy for State to dodge decisions, or even to buck White House orders, so long as action, or inaction, cannot be traced to one person.

"No one ever puts his name on a document," says William Pawley, who during his 5½ years with the Department served first as an Ambassador and later as Special Assistant to the Secretary of State. "I made a point of trying to find out who makes policy, and it's a very difficult thing."

The new African nation of Guinea, after it broke away from France in 1958, turned to our State Department for support. Months passed while the experts hesitated, each one seeking a plan that everybody could okay. Meanwhile, a handful of our own desperate officials stood by in Conakry, helplessly watching Iron Curtain technicians walk in and take over.[1]

Rule 3: Cover up your colleagues' mistakes or incompetence.

A key diplomat at our Embassy in Mexico was carrying on an open affair with the wife of a European ambassador. It became such a scandal that our national reputation was dragged through the mud. The culprit was not dismissed, however; he was merely given a 2-week suspension and then promoted to a higher post at another embassy in Latin America.

One of our officials in Washington was carrying secret papers in his car when he collided, while drunk, with a telephone pole. The Department admitted to the press that he had violated security regulations by failing to safeguard this classified material. But was his career set back as a result of such negligence? No. Since the incident, he has rapidly moved up to become one of the most important men at State and today is an influential shaper of our Berlin policies.

A specialist in Soviet affairs with a self-confessed weakness for talking about his work admitted that he had been giving our secret information. Yet, at the very time he was under investigation, his protective superiors gave him an outstanding efficiency rating, and today he still holds his sensitive job.

One reason such action continues is that the deliberations of those panels that screen Foreign Service officers for promotion are zealously kept secret. Several years ago when a new Assistant Secretary of State charged with personnel supervision tried to obtain information about the proceedings of these panels, he was curtly informed that "nobody can see these files—not even the Secretary of State."

It is clear that one root of our cold-war failures is the timidity and evasiveness characteristic of our State Department bureaucracy. There are other causes—specific philosophies that have come to infect the shapers of policy at State.

Among some of our foremost diplomats, for instance, concession has been elevated to the rank of policy. Instead of carefully, accurately calculating the risks of nuclear war, they yield to the nuclear shakes and use it as an excuse for avoiding anti-Communist action. They fall back from plans for assisting rebellion behind the Iron Curtain, even while Soviet agents coolly plot outbreaks inside free nations. Thus we pass up countless chances to call Kremlin bluffs.

Most recent evidence: the Berlin wall. At first only a few strands of barbed wire, it could easily have been pushed down by our tanks, which had every legal right to roll in and protect points of access along the Berlin border. But over the course of days the wire became a wall, and our best chance to show the world that we could not be pushed around vanished.

Other ideas are seized upon by State policy shapers as an excuse to sidestep or put off anti-Communist action:

1. The evolutionary theory—State's hope that satellite nations will, in time, map their own non-Communist courses, independent of Moscow. This concept even holds that Russia herself will change course. State became so enchanted with this latter corollary that in 1956, just before the Hungarian

[1] See "How the Soviets Stole a March on Us in Africa," the Reader's Digest, November 1960.

revolt, when Gen. Maxwell Taylor (then U.S. Army Chief of Staff) tried to write an article saying that "there is no reason to believe that communism will change its habits and permanently renounce aggression as an instrument of policy," it was blocked by State. Our Foreign Service didn't want these words "stressed," because "it is generally recognized that the Communists for the present have renounced aggression as an instrument of policy" and therefore Taylor's claim was "not only undesirable but inaccurate."

2. The accommodation theory—the notion that by some magic we can reach a safe agreement with the Communists, despite their record of treachery and torn-up treaties. Listen to Robert D. Murphy, former Undersecretary of State for Political Affairs, a veteran of 43 years in diplomacy and one of the most respected men ever to serve at State: "For some strange reason there are those in places of influence who seem to convince themselves that a deal is possible; that an understanding could be reached if we just find the right formula. The thought that a massive package deal is possible is a fake, a delusion, and a snare."

3. The reduce tensions theory—the idea that we can get along with the Reds by suppressing information that would be "provocative." Last winter State was alerted that one member of a Polish exchange mission about to visit the United States was a known espionage agent. Career men dealing with European affairs talked the Secretary of State into letting him enter, on the ground that to do otherwise would disturb our relations with Poland. This in the face of strong opposition from the Justice Department.

These fuzzy ideas show up in, among other places, the activity of State's censors. Lt. Gen. Arthur Trudeau, the Army's Chief of Research and Development, who is also an intelligence expert, wanted to say in a speech that nothing less than "sacrifice, understanding and change" will permit us to "emerge victorious." The State Department, which reads every proposed Pentagon speech touching on foreign policy, struck out "emerge victorious" and substituted "achieve our goal." The censor crossed out another Trudeau passage which said that "coexistence is not a choice, it is a fatal disease."

In another speech General Trudeau warned that we could "go down in the ignominy of defeat" or "remain the champions in this vicious race." The censors wrote on the margin of the draft: "This might well be tempered, since it largely rules out any chance of an evolution of the Soviet system."

How, then, does State think it best to pursue the cold war? Our diplomats' favorite weapon against communism is the idea that we can, indiscriminately, sway nations away from communism with foreign aid; that we must continue dishing out billions to so-called neutrals who consistently support Moscow; that we must even assist Iron Curtain countries such as Poland, which reciprocates by partially mobilizing its armed forces to bolster the Soviets in Berlin.

Yet perhaps the greatest error of our stategists at State lies in letting ourselves bepushed around at the United Nations. We are blackmailed into allowing a Kremlin puppet, Outer Mongolia, to become a member of the U.N. Worse, our State Department gave its blessing last September to an attempt by U.N. troops to take over Katanga, the anti-Communist province of the Congo—in an effort to set up a central coalition government strongly influenced by Antoine Gizenga, a Communist trained in Czechoslovakia. This despite the fact that the Soviet publication New Times proclaimed the coalition a complete triumph for the pro-Soviet side.

Declared Senator THOMAS J. DODD of Connecticut: "This is still another in a long list of instances where our policy has been misguided by the nameless subordinates at desk positions who prepare analyses and position papers. I believe that the time has come for a critical review of this entire situation. Those responsible for briefing us into disaster after disaster should be dismissed or transferred to nonpolicy-making posts where their penchant for wrongheadedness can do no harm."

Add to this the recently released report from Senator HENRY M. JACKSON, of Washington, chairman of a special subcommittee set up by the Senate 2 years ago to assess our cold-war machinery. Said Senator JACKSON, "No task is more urgent than improving the effectiveness of the Department of State."

If we are to meet and repel the forces of communism, if we are to start winning the cold war instead of just watching it, we must shake up the system at the State Department and bring about some real reforms—now.

AMENDING SMALL RECLAMATION PROJECTS ACT OF 1956

Mr. KING of Utah. 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 Utah?

There was no objection.

Mr. KING of Utah. Mr. Speaker, today I have introduced a bill to amend the Small Reclamation Projects Act of 1956 in the light of 6 years' experience since its passage and to extend the authorization to keep this part of the reclamation program. Since the act was passed in 1956 and amended in 1957, applications for 22 separate projects have been approved by the Interior Department and sent to Congress. Loans on these projects are estimated at a little over $57 million. Applications for seven more projects and two applications for adjustments in the project proposals have been filed, raising the total to about $75 million. The applications represent 9 out of the 18 States in which this program is authorized.

To date, the program has been highly successful and it is evident that it is a desirable supplement to the reclamation program. Experience has also shown that some changes are needed to make the program more generally applicable and to bring it more nearly into line with related programs.

The first amendment will boost the ceiling on the Federal funds that can be provided for such projects from an undetermined amount of less than $5 million, to $7,500,000. The present act requires the subtraction of a local contribution from the $5 million limitation in a manner that causes the maximum loan to vary with local conditions.

This has produced some confusion and inequities. This proposed amendment also increases the maximum loan to meet the increases which have occurred in construction costs since the program began.

The second amendment which I offer redefines the amount of detail to be included in the application for a loan. The present act might be construed to require information that is unnecessary and incompatible with the scope and relative simplicity of these smaller projects. This does not contemplate an applicable change from the type of application now being required by the Secretary but is intended as reassurance to some organizations now fearful of requirements that might be imposed.

The third amendment is a clarification. At present the requirement for a local contribution is related to construction cost. It has been found that differences of opinion exist as to what items constitute costs of construction, and what might properly constitute other project development costs. Therefore, it is proposed to relate this contribution to the total cost of the project.

The fourth amendment will amend subsection (d) of section 4 to enable the committees of the Congress to reduce the 60-day waiting period for a specific project by resolution. In several cases, the 60-day wait has delayed the projects by nearly a year, because funds could not be released until a new session of Congress opened.

This amendment also would release those projects estimated to cost no more than $250,000 from this requirement. Approval by the Secretary of the Interior would constitute the final action. This would reduce the time it takes to clear applications and secure funds by at least 3 months and possibly up to a year. It would also reduce the time, work, and expense necessary for the preparation of loan applications in some instances, because inspection and field review of the plans by specialists could be substituted for some of the detail now required in the written reports. If the processing time and the expense of report preparation were cut, this program would be utilized for more smaller projects.

Funds could be budgeted for these smaller projects soon after approval by the Secretary or in advance of approval so that construction could be started promptly. Such rapid action is often desirable under emergency conditions or on smaller rehabilitation and betterment work to permit construction to be accomplished when needed, and without disrupting normal irrigation operations.

Moreover, the proposed amendment would put a limit of $2,500,000 per year on the smaller projects that could be launched with congressional review. Should additional projects be proposed, they would have to be sent to Congress for consideration as at present or deferred until the following year.

The Soil Conservation Service and the Corps of Engineers have authority to proceed on the smaller projects without congressional review. In fact, the $250,000 and $2,500,000 limits are the same as those now in effect for the SCS program and smaller than those for the Corps of Engineers program.

The fifth and sixth amendments will adjust the wording of subsections (a) and (b) of section 5 to clarify the intent. As now worded, they might be construed as requiring an organization to accept a grant or to accept a lower loan because a grant might have been justified. A requirement that an unwanted grant must be made would be

unreasonable. It also would be incompatible with section 5(d) of the act which provides authority for operation by the United States or for repayment of the grant in the event of noncompliance with regulations for the project operation. The seventh amendment would change the interest formula to bring it into line with other related programs. Under the present Small Reclamation Projects Act, the interest rate which projects must pay is considerably higher than the rate on any other type of Federal water resource projects. The interest rate now required on small reclamation projects has varied from 3 to 4⅛ percent and now is 3¾ percent, whereas under the Water Supply Act, which is applicable to practically all other water resource projects, the interest rate is about 2⅝ percent, and is quite steady from year to year. Projects under the Soil Conservation Service have a similar rate.

The bill proposes a new section 8 which would permit the Secretary to advance, to the local organization, up to half of the funds required for planning its small project. Experience has shown that for a lack of funds, some organizations have been delayed and others have been unable to complete their applications while others have skimped on their planning. To some extent, this has been a factor in the failure of other States to participate. If financial assistance were available for planning, applications probably would have been received from more than half of the States. The amendment also contains a provision to allow repayment to other Federal agencies in the event that they had made planning funds available as loans. This will consolidate the obligations.

The new section 9 amends the present section 8 by naming the Fish and Wildlife Coordination Act in place of the reference to it by date and statute number. That act has been amended since the original Small Project Act was passed and might be amended in the future, so that the general title reference is preferable.

Except for the section number, section 10 is the same as the old section 9.

Section 11 amends the original section 10 to increase the limit on the authorization for this program. At present, appropriations are authorized up to $100 million. The proposed wording would, in effect, authorize appropriations up to $200 million of outstanding loans. If the limit were reached, loans could continue to be made at the rate at which past loans were repaid. The amendment also recognizes the fact that contracts or agreements will be required to carry out the provisions of section 8 to provide planning funds.

Sections 12 and 13 are unchanged from the original sections 11 and 12, except for the number.

The most significant changes are those which would increase the limitation on Federal funds in the form of loans and grants for each project, change the interest formula, authorize financial assistance on planning, and increase the overall program authorization.

HOUSE RESOLUTION 211 AND THE 1962 CAPTIVE NATIONS WEEK IN FREE CHINA

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. FLOOD] may extend his remarks at this point in the record and include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. FLOOD. Mr. Speaker, the highly successful 1962 Captive Nations Week observances in this country pointed out one very important fact, namely the huge popular demand for a Special House Committee on the Captive Nations. From Boston to Los Angeles, from Seattle to Miami, the major theme of a special committee was repeated over and over again. As the original sponsor of this proposal, I am greatly encouraged by this popular demand; and I once again call upon the Rules Committee to act on House Resolution 211 before this Congress adjourns.

I have never had any doubt about the passage of this resolution in the House. The forces that have come into play to bottle up the resolution in the Rules Committee, going so far as to prevent even a decisive vote on the measure within that body, would have very little influence on its outcome in the House. In many sections of this country this situation is well understood. The various maneuvers that have been employed to prevent the measure from coming to the floor of the House are also well recognized.

Unless we are really fearful of Moscow's reactions to this, we still have time in this Congress to establish a Special House Committee on Captive Nations. The impact of such constructive action would doubtlessly be worldwide. Even organizations in free China have shown a deep interest in this proposal. After all, mainland China is the largest captive nation; and the work of a special committee would naturally concentrate on this member of the captive world. Thus, not only our people, but also many other peoples in the free world have a stake in the leadership or lack of leadership that we show in this vital area.

Mr. Speaker, to prove the extent to which our Congress has moved the minds of people by passing the Captive Nations Week Resolution in 1959 and to indicate the great service we can perform today by establishing a Special House Committee on the Captive Nations, I should like to append to my remarks the following illustrative data: First, the President's 1962 Captive Nations Week proclamation; second, the text of a telegram by the people of Taipei to President Kennedy; third, the program of Captive Nations Week in the Republic of China; fourth, a free Chinese memorandum on the 1962 week; fifth, an informative article written by Dr. Lev E. Dobriansky of Georgetown University for the spring issue of the Ukrainian Quarterly under the title "China's Battleline of Freedom"; sixth, a free Chinese declaration on the captive nations; seventh, the astute address by Mr. Ku Cheng-kang, president of the China Chapter of the Asian Peoples' Anti-Communist League; and eighth, the July 20, 1962, China News report on the talk by the Philippine Ambassador Narciso Ramos, the July 20 item in the China Post on President Chiang Kai-shek's call for action, and the July 21 China Post report on Mr. Ku's address—all dealing with the captive nations:

CAPTIVE NATIONS WEEK, 1962

(Proclamation by the President of the United States of America)

Whereas by a joint resolution approved July 17, 1959, the Congress has authorized and requested the President of the United States of America to issue a proclamation designating the third week in July 1959 as Captive Nations Week, and to issue a similar proclamation each year until such time as freedom and independence shall have been achieved for all the captive nations of the world; and

Whereas there exist many historical and cultural ties between these nations and the American people; and

Whereas the principles of self-government and freedom are universal ideals and the common heritage of mankind;

Now, therefore, I, John F. Kennedy, President of the United States of America, do hereby designate the week beginning July 15, 1962, as Captive Nations Week. I invite the people of the United States of America to observe this week with appropriate ceremonies and activities and I urge them to give renewed devotion to the just aspirations of all people for national independence and human liberty.

In witness whereof, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

Done at the city of Washington this 13th day of July in the year of our Lord 1962, and of the independence of the United States of America the 187th.

JOHN F. KENNEDY.

By the President:

DEAN RUSK,
Secretary of State.

TELEGRAM FROM THE CHAIRMAN OF THE MASS MEETING IN SUPPORT OF THE PEOPLE OF CAPTIVE NATIONS FOR FREEDOM, ADDRESSED TO PRESIDENT JOHN F. KENNEDY OF THE UNITED STATES OF AMERICA

DEAR PRESIDENT KENNEDY: On the occasion of the Captive Nations Week being observed in your country, the people of all walks of life in the Republic of China, who have gathered today in Taipei to attend a grand rally expressing sympathy and support for the enslaved people behind the Iron Curtain, wish to convey to Your Excellency as well as to the American people and Congress their profound respect for and warm response to this significant and inspiring movement.

At a time when the entire Chinese mainland is suffering from a famine never known in human history, when hundreds of thousands of starving Chinese people have fled recently from Canton to Hong Kong and Macao in quest of freedom, when a struggle for freedom and against slavery is gaining momentum behind the Iron Curtain, and when the Chinese Communist regime is concentrating its armed forces in China's coastal Provinces for an invasion of Quemoy and Matsu to tide over its daily, deepening internal crisis, the free people of the Republic of China are hoping that Your Excellency, as leader of the free world, would continue to promote and enlighten the basis spirit

of the Captive Nations Week by giving more practical and effective support to the enslaved people now struggling for freedom and against slavery on the Chinese mainland.

This, we believe, conforms to the lofty ideal of the Captive Nations Week that is dedicated to the deliverance of enslaved people. This, we hold, will end the Asian crisis. It is self-evident that an early emancipation of the enslaved people on the Chinese mainland from the Communist rule will also bring closer to the day of freedom and independence for all enslaved peoples and countries behind the Iron Curtain.

Respectfully yours,

KU CHEMG-KANG,

Chairman, Mass Meeting in Taipei To Support the Peoples of Captive Nations for Freedom.

PROGRAM OF ACTIVITIES UNDERTAKEN BY THE PEOPLE OF THE REPUBLIC OF CHINA IN RESPONSE TO THE U.S.-SPONSORED CAPTIVE NATIONS WEEK MOVEMENT

SUNDAY, JULY 15

1. Appearance of editorials on the Captive Nations Week movement in the newspapers; intensified news report on the movement during the week-long period.
2. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.
3. Chairman Ku Cheng-kang, Committee of Civic Organizations of Republic of China in support of Struggle for Freedom behind the Iron Curtain, making an announcement in response to the U.S.-sponsored Captive Nations Week Movement.
4. Postmark bearing slogans on all mails for a period of 1 week.
5. Slide show of slogans in cinemas for 1 week beginning from July 15, and observance of 1 minute's silence in memory of victims under Communist enslavement and persecution during the first performance in the evening.
6. Catholics in Taipei precinct holding mass for the peoples of the captive nations.
7. Prayers by various local Christian churches.
8. Publication of a special pamphlet on Captive Nations Week in English and Chinese editions.
9. Flowing in main streets of red cloth banners bearing slogans.
10. Broadcasts of speeches by leaders from all walks of life and anti-Communist leaders from abroad, beamed for captive peoples behind the Iron Curtain.

MONDAY, JULY 16

1. Forums by civic organizations.
2. Catholics in Hsingchu precinct holding mass for the captive peoples.
3. Christian churches in Hsingchu hold prayer meetings for the captive peoples.
4. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

TUESDAY, JULY 17

1. Forums in Kaohsiung by civic organizations.
2. Anti-Communist refugees from the Chinese mainland sending messages of appeals to U.S. President Kennedy, U.N. Secretary General and the International Red Cross for extending helps to Chinese refugees in Hong Kong and Macao.
3. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.
4. Buddhist temples hold prayer meetings for the repose of souls of those who died under Communist slavery and persecution.
5. Catholics in Taichung holding mass for the captive peoples.
6. Christian churches in Taichung hold prayer meetings for the captive peoples.

WEDNESDAY, JULY 18

1. Forums in Taichung by civic organizations.
2. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.
3. Catholics in Chiayi holding mass for the captive peoples.
4. Christian churches in Chiayi hold prayer meetings for the captive peoples.

THURSDAY, JULY 19

1. Forum by anti-Communist refugees.
2. Forum in Keelung by civic organizations.
3. Broadcast of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.
4. Catholics in Tainan holding mass for the captive peoples.
5. Christian churches in Chiayi hold prayer meetings for the captive peoples.

FRIDAY, JULY 20

1. Rally in response to U.S.-sponsored Captive Nations Week movement at the Armed Forces Officers' Club in Taipei at 9 a.m.
2. Catholics in Haulien holding mass for the captive peoples.
3. Christian churches in Haulien hold prayer meetings for the captive peoples.
4. Mosques conducting religious services to observe the occasion.
5. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

SATURDAY, JULY 21

1. Forum in Tainan by civic organizations.
2. Evening party for the occasion at the new park in Taipei.
3. Catholics in Kaohsiung holding mass for the captive peoples.
4. Christian churches in Kaohsiung hold prayer meetings for the captive peoples.
5. Broadcasts of special programs and news of observance activities to people at home and abroad as well as in areas behind the Iron Curtain by all broadcasting stations.

MEMORANDUM ON THE RESPONSE TO THE CAPTIVE NATIONS WEEK MOVEMENT IN THE UNITED STATES OF AMERICA IN 1962

Immediately after World War II, the international Communists captured Lithuania, Estonia, Latvia, Armenia, Azerbaijan, Ukraine, Byelorussia, Georgia, Poland, Czechoslovakia, Bulgaria, Romania, Albania, Hungary, East Germany, Yugoslavia, the Chinese mainland, North Korea and North Vietnam, by political infiltration, subversion, military threat, and armed conquest. Now they are communizing Cuba. Thus, nearly one billion people have been made captive under the tyrannical rule of the Communists.

However, these captive peoples who have never abandoned their desire for freedom and survival, are carrying on incessantly anti-Communist struggles, such as the East German people's uprising in 1953, the Polish workers' revolt in 1956, the Hungarian revolution in October 1956, and the widespread anti-Communist movements launched during the past years on the Chinese mainland and in North Korea and North Vietnam, including the Tibet uprising in 1959. The ever-increasing number of East German escapees from East Berlin to West Berlin during the past 2 years and the recent mass exodus of Chinese refugees to Hong Kong and Macao from the famine-stricken Chinese mainland not only serve to prove that the Communist rules behind the Iron Curtain are on the brink of collapse, but also demonstrate the captive peoples' deep hatred for the tyrannical Communist rule and their aspirant desire to regain their freedom.

To express their sympathetic concern and to provide moral support to the captive peoples, the people of the United States have sponsored a "Captive Nations Week" of which a resolution has been adopted by both the Senate and the House of Representatives of the U.S. Congress. Also, ex-President Eisenhower while proclaiming the Captive Nations Week in 1959, designated the third week of July of every succeeding year as the Captive Nations Week whereby to manifest to the Communist-enslaved nations and peoples their support and concern. On the occasion of the Captive Nations Week in 1961, U.S. President Kennedy also issued a statement, urging the American people to undertake various commemorative activities to express their sympathy and support to the captive peoples. In order to actively promote this movement, the American people has established the National Captive Nations Committee. Since 1959, people throughout the United States have undertaken numerous activities every year in observance of this occasion.

With an effort to respond to this very meaningful American-sponsored movement, the Committee of Civic Organizations of Republic of China in Support of Struggle for Freedom Behind the Iron Curtain and the China Chapter of the Asian Peoples' Anti-Communist League have established a close contact with the National Captive Nations Committee in the U.S.A. On July 16 through 23, last year, the two organizations have joined hands with people from all walks of life in the Republic of China in undertaking various responsive activities and have achieved very good effects, to which much significance has been attached by the American people. All related documentary materials have been put in the U.S. CONGRESSIONAL RECORD. On January 23 this year when a mass rally was held in observance of the eighth anniversary of Anti-Communist Freedom Day to commemorate the restoration of freedom to 22,000 and more Chinese and Korean ex-POW's of the Korean war, Dr. Lev E. Dobriansky, chairman of the National Captive Nations Committee in the U.S.A., was invited to the gathering as a guest speaker. On the following day, January 24, an international forum in support of the captive people in their struggle for freedom was held, wherein concrete measures were adopted for more coordinated actions. At this moment when the Communist bloc is stepping up its aggression against the free world, of which Asia bears the brunt, when crop failures are prevalent throughout the Communist areas and when escapees are on the increase from behind the Iron Curtain in Asia, particularly from the Chinese mainland to Hong Kong and Macao, our APACL member-units should give enthusiastic response to this Captive Nations Week movement, so as to accelerate the liberation of the captive peoples.

CHINA'S BATTLELINE OF FREEDOM

(By Lev E. Dobriansky)

"Seeing is believing" may be a timeworn expression, but it certainly applies to the status, conditions and development of the Republic of China. Of course, the expression has its limitations. In any situation, regardless of its character, visual observation is not enough. Some background, some theory with preconceptions and perspective are necessary for a deeper perception and understanding of the object or situation. However, given all this, when one reflects on the egregious fictions spawned about free China, then seeing is truly believing.

After an intensive trip to Taiwan, this writer is more than ever convinced that a Red China lobby is feverishly at work in this country. The blatant discrepancies between

the objective realities of free China and the fictitious notions circulating here cannot be adequately accounted for on any other basis. In too many respects the contrast is one of day and night. It appears that countless innocent and unsuspecting Americans are being fed misinformation and misconceptions which help to udermine not only China's battleline of freedom but also, indirectly, the security interests of our own Nation.

The writer himself was not free of certain misleading preconceptions, particularly as concerns the island of Kinmen or Quemoy. Admittedly, he is not a so-called expert on the Far East. But considering the general record of such expert opinion in this country, it is perhaps advantageous not to be classified in this manner. There are many solid Far Eastern experts in the United States who share some of the observations presented here but, for some reason or other, they have not been as influential as those who would neatly fit into the operations of the Red China lobby.

A REPORT ON FREE CHINA

My observations here are simply in the nature of a report on free China. As I saw it and analyzed it, free China deserves far more study and investigation by the American people than has generally been the case. The emphasis of this study should be placed on present developments rather than on past history. Whatever may have been the motivations behind the recent release of State Department papers on China, much of these deal with past history. Although they provide an undeniable background to the present, they cannot adequately offer an understanding of the significant changes which have overtaken the Republic of China in this past decade. On the basis of these papers we can expect the Red China lobby and its associates to rehash many of the old criticisms and accusations that in the past were directed against General Chiang Kai-shek and the Kuomintang. But if we are to live in the present and realistically view things as they are, an intensive and sympathetic study of free China and its remarkable accomplishments is indispensable to our own strategic interest.

The arguments of those opposed to free China or the Kuomintang are well known. We have heard them for over 20 years in this country. They will be analyzed here in systematic order. Prior to his trip the writer sought to obtain also the broadest range of favorable observations so that these, too, could be subjected to critical examination. Among the many he met and consulted with, Ambassador Dr. Tingfu F. Tsiang and Senator HIRAM FONG of Hawaii presented excellent, objective perspective regarding the position and goals of free China. The intellectual bearing and poise of Ambassador Tsiang are most impressive. The Republic has every reason to be proud of the scholarly type of representation he casts here, and, needless to say, his record in the United Nations is one of the most outstanding, particularly as concerns Soviet Russian colonialism and imperialism.

As many informed Americans know, Senator FONG played an instrumental role with his numerous addresses in 1961, opposing the admission of Red China into the U.N. While Ambassador Stevenson was spreading the myth of inevitability on this subject and Chester Bowles was unrealistically advocating a two-China policy, the Senator was in the forefront, upholding a position of integrity and loyalty for the United States. Senator FONG has both, a keen interest in and an intimate knowledge of free China. His broad observations on the remarkable economic development of this free world outpost squared completely with what the writer witnessed. In an interview in Honolulu, I felt that Senator FONG deserved great credit for the service he performed in 1961 in successfully stemming the tide on Red China's admission into the U.N.[1] Certainly the free people of Taiwan expressed their profound gratitude for it.

A NATION OF SHEEP?

A "nation of sheep" is how one critic recently characterized the Chinese. Such ill-founded characterizations may make for commercialized literary appeal, but they hardly contribute to our understanding of any people. If the sturdy segment of the Chinese nation inhabiting Taiwan is made up of sheep, then we should by all means begin to breed such sheep here in the United States.

On arrival at Sungshan Airport in Taipei, I formed my first impressions which were repeatedly confirmed throughout my visit. Greeted by a welcoming party led by the versatile and eloquent Mr. Ku Cheng-kang, the Secretary of the National Assembly, I was introduced to many civilian leaders and members of the press. Their decorum, their questions, their general behavior suggested at the very start a depth of critical intellectual inquiry, a vigorous concern about the cold war in relation to both, Peiping and Moscow, and a wholesome anxiety concerning ways and means to win this war.

During the initial press conference I laid special stress on the necessity for the preservation and intensification of the free world's anti-Communist spirit which both Moscow and Peiping are attempting to weaken.[2] At the basis of this spirit is, of course, the rational recognition of the twin imperialist forces at work in the vast Eurasian land mass. The questions raised by the correspondents were most stimulating and indicated a deep comprehension of the multiple politico-economic problems posed by the Red Russo-Chinese cold war operations. It was my privilege also to make my first broadcast to the Chinese mainland at this time. The message emphasized my hopes for an early liberation of the captive Chinese on the mainland.

The Grand Hotel, at which I stayed for several days, cannot escape mention. It is one of the most beautiful structures in all of Asia. Situated on a hill overlooking Taipei, the provisional capital of free China, it truly symbolizes the rich cultural background of China and the art and beauty of its people. Taste, grace, individuality, and a spiritual resourcefulness are resplendently displayed in its architecture and sculptural evidences. In these serene surroundings my first impressions were further deepened that day. A young representative of the Chinese educational radio program visited with me to record an interview. The interview dealt with a broad array of subjects pertaining to the cold war and U.S. foreign policy. Later in the evening of the first day a young and quite affable journalist from the Great China Evening News called for a similar interview. In all of this, what struck me deeply was the youthfulness and expert resourcefulness of these independent and official interviewers, characteristics which I later found to be quite generalized in every other sphere of free Chinese society.

According to some American mythmakers, Taiwan is supposed to be an island of old and aging men and women, a hotbed of policemen, and a tyrannical dictatorship in constant conflict with the Taiwanese and the aborigines. Wherever he toured, this writer brought these and other matters up. He also looked for himself to ascertain the validity or untruth of these conceptions. Naturally the elements in each of these conceptions were and are present, but whether they appear in the forms cast by these conceptions is the point at issue. And with some background anyone having the advantages granted this writer would be able to detect the relevancy and pertinence of these general notions to the real circumstances of Taiwan Province.

My travels up and down Taiwan and over on Quemoy have convinced me of one powerful truth; namely, the extent to which we Americans lend ourselves to fictitious beliefs built upon many a chasm separating reality and subjective conception. Whether at Yangmingsan or Sun Moon Lake, whether at the Taiwan National University or at a Chinese opera, whether at the Historical Art Museum or in the battlefront town of Kinmen City, the opportunity to mix freely, to exchange views critically, and to observe closely was ever present. I seized every such opportunity.

Considering the above myths on age and the like, just imagine how you would have reacted to the following facts. On the subject of age, over 40 percent of the population falls into the 14 years and under category. In government, business, education, and the military, young men and women occupy some of the most influential positions. As to policemen, the ratio on Taiwan per thousand of population is less than that prevailing in our large cities and towns. Where in several of our cities it is about 1.3 for every thousand, there it is less than 1. As to the presence of a dictatorship and some constant conflict with the Taiwanese and the aborigines, these allegations are also of distorted value and usually uttered without fair perspective. A nation at war, a nation with customs and traditions different from ours could scarcely be expected to have the same institutional patterns of government and the like as ours—this aside from the pertinent question about the value of such imputed conformity. But more of this below.

FREE CHINA'S "ELAN VITAL"

The permeating and driving force in the free Chinese society is unquestionably the burning desire and hope for the liberation of the Chinese mainland. Unless one is blind or plainly insensitive, this force cannot but be felt in all its suffusiveness in every sphere of day-to-day existence on Taiwan. It is inseparably bound with the "elan vital" of free China's total orientation and activity, namely its vigorous and realistic anticommunism. On this battleline of freedom, just a few miles from the camp of the enemy, it is understandable why the depth and scope of this spirit far exceed what one witnesses here. The realities of captivity and alien domination are closer to home. Yet this obviously is no excuse for our intellectual blindness, despite the span of the Pacific.

It is not possible to describe here all the events which have impressed me with this fundamental truth, but a few salient ones should be mentioned. The annual Freedom Day observance held on January 23 throughout Taiwan province is an outstanding one. Thousands congregate in all cities and towns to rededicate themselves to the objectives of driving the alien rule out of Peiping and thus also contributing heavily to the expansion of world freedom. As one of speakers in the capital city of Taipei, I said with all sincerity and feeling that "in a real sense this Freedom Day is a day of observance by all lovers and fighters for freedom, no matter where they are."[3]

Talks with students and scholars at the National Taiwan University and at centers in other cities pointed up the same powerful and vigorous spirit of anticommunism. My survey of the remarkable work of the China Broadcasting Company confirmed it, and at a luncheon with Chinese ex-POW's the sub-

[1] "FONG Role in Keeping Peking From U.N. Hailed," Honolulu Star-Bulletin, Hawaii, Feb. 2, 1962.

[2] Chinese Post, Jan. 21, 1962.

[3] "Support to All Enslaved Peoples Is Pledged at Freedom Day Rally Here," *China Post*, Jan. 24, 1962.

ject was all-consuming. I was a guest of honor at the opening ceremony of the basketball tournament for the Freedom Cup, and there, too, the overall theme was the same. It was heard and felt throughout a full day meeting with leaders of all civilian organizations in Taipei following Freedom Day. And the enthusiastic response of these leaders to my talk on efforts in this country to establish a Special House Committee on Captive Nations was most satisfying.[4]

Events of this kind can be multiplied in sphere after sphere to substantiate the observation made here. My hours-long talk with our astute Ambassador Everett F. Drumright, who filled me in on many essential matters, provided me with additional insights into this basic force of liberationist thought and feeling in Taiwan. As I stated publicly later, "the people of the United States can well be proud of our Ambassador in Taipei." He knows the language, he knows the people, and he possesses a background on the Orient that is well nigh unsurpassable. It was evident to me that Ambassador Drumright was slated soon for reassignment. However, should Adm. Alan G. Kirk be assigned as our new Ambassador to the Republic of China, I have no doubt that the spirit of liberation among the energetic people of free China will be sympathetically understood. It was not without good reason that Admiral Kirk served as the head of the American Committee of Liberation and later was the chief of the old Psychological Strategy Board.

PARLIAMENTARY GOVERNMENT IN FREE CHINA

To understand with perspective and fairness the Government's position in free China, one must bear in mind certain hard facts of political life on this Asiatic front of world freedom. The first and all-dominant fact is that the liberation of the mainland is the prime objective of the Republic of China. Although far too many still fail to comprehend this basic spiritual axiom of free Chinese existence, it is, indeed, the Republic's raison d'être as well as an agency of political power for the interests of the free world. Those who would attempt to pollute or undermine this sustaining faith, whether in the name of "democracy" or simple anti-President Chiang bias, are either blindly or clearly working in the interests of imperial Red totalitarianism.

For many obvious reasons comparisons with the Federal Republic of Germany will not do. Politically, culturally and geographically the cases are not parallel. Though both possibilities are of crucial importance to the expansion of freedom, the defeat of Peiping has far greater immediate consequences for the collapse of Moscow's empire than does the liberation of East Germany. Moreover, Bonn's liberationist spirit appears to be steadily sapped by Anglo-American quasi-appeasement. This, happily enough, is not the case in Taipei. Thus, for good reason the Free Chinese Government cannot tolerate any political activity which would cause this mainspring of freedom to stagnate. The case of Lei Chen and the development of a distractive "Taiwanese Party" fall into this category.

Over and above this indispensable requisite of loyalty and adherence, there is considerable democratic expression and criticism in the Republic of China. If one talks unintelligently about an imitation of American democratic institutions, then my sole reply is "Where else in the world will you find this, assuming that this is at all desirable or possible?" Corruption? Sure there are instances of corrupt dealings there as here or anywhere else. Corruption found under the Truman and Eisenhower administrations did not blacken the entire administration. Reports of alleged deals in the provincial government were readily given while I was there, and it was not unusual to hear from students, workers and others criticisms directed at the Government.

The opportunity of talking at length with Government leaders and representatives and also members of opposing political parties (Democratic Socialist Party and the Young China Party) furnishes real insights into the liberal and democratic inclinations of free Chinese society. The writer had this opportunity in abundance. His conversations with President Hwang of the Legislative Yuan, the President and members of the Control Yuan, the Speaker of the Provincial Assembly, the mayors of Taipei, Taichung, Tainan and Kaochsiung Cities and many others were forthright and frank. The one indelible impression he left with was that there are genuine political counterparts of our elected representatives. Our political battles have nothing over theirs, and their psychology and behavior are parallel to ours. After all, many of them are graduates of American universities. Significant, too, is the fact that many are natives of Taiwan Province.

Again, in this necessarily qualified democratic environment—qualified solely by the requisite of mainland China's liberation which logically cannot brook the divisionism implied by the notion of a Republic of Taiwan—the penchant for critical inquiry and learning on the part of student groups augurs well for the future of China. It was my privilege to address them and others on a variety of subjects. In Taichung City I lectured on "Free China's Increasing Recognition of the Captive Non-Russian Nations in the U. S. S. R."; in Tainan, the subject was "Moscow and Peiping's Reactions to the Captive Nations Week Resolution"; and in Koahsiung, an address was given on "Significant Parallels in the Tragedies and Plights of Captive Europe and Captive China." In all three cases the response of the students and others was stimulating and challenging. With constructive intent they consistently sought the relationship of the factors and forces brought out in these subjects to the fundamental liberation policy of their own Government.

The myths of corruption and undemocratic government in free China must be ceaselessly attacked in this country. Their circulation is both unjust and detrimental to the most powerful ally we have in Asia. Seeing, again, is believing—seeing their government in action, seeing their independent papers at work, seeing their remarkable broadcast activities, seeing their educational institutions and the expanding reservoir of free Chinese culture. The chasm between our myths and their realities is tremendous—indeed, incredible. The truth is that free China is a showcase of democracy in Asia.

THE SUPPOSED ECONOMIC DRAG

When we turn to the economic sector, the foolishness of our myths becomes quite evident. I couldn't have emphasized this more over Radio KGU in Hawaii and the Georgetown University Forum. While too many have come to believe that the Republic of China constitutes an economic drag for us, reality shows a phenomenal economic development with decreasing relative dependence on the United States. In the last 10 years over a billion dollars have been given in economic aid to free China, but in the past 4 years the rapid economic strides made by the Republic at a per annum increase of 8 percent render the average $100 million per year of aid smaller in significance.

No important economic project or development was overlooked by me. My visits and inquiries covered the Shihmen Reservoir, the Taoyuan Exhibition of Land Reform Achievements, several random farms outside Taipei, the Taiwan Aluminum Co. and the Taiwan Petroleum Refinery Co. in Kaohsiung, as well as briefings at the Provincial Government. A 5-hour conference with highly informed members of the sixth section of the Kuomintang afforded me information about economic conditions on the mainland which I doubt are available to our own governmental agencies. On the basis of all these observations and data I am impressed by two stalwart facts: (1) The agricultural development and reforms of free China make it truly a model for all Asian, African, and some Middle East countries; and (2) the free Chinese economy is by sheer qualitative contrast a powerful cold war weapon against Peiping.

Here, too, it is amazing to contrast economic realities with the myths spread in this country. Although there is considerable room for the further development of entrepreneurialism, the "sheep" have shown enormous initiative and resourcefulness in private risk taking. Industrial production has grown by about three times what it was in 1953. Agriculture has increased by 50 percent, though rising consumption has converted Taiwan into a net importer of rice. More meat and rice are eaten here than in other parts of Asia. The gross product of free China stands over a billion U.S. dollars for a population of about 11 million. The population growth rate is around 3.5 percent. There are some 800,000 farmers who under the land-to-tiller program own their own farms. Agricultural representatives from other parts of Asia and Africa come to Taiwan to learn from the shining example built here.

There is unquestionably much room for expansion and improvement in industry, commerce and trade. Private investment is being steadily encouraged and tourism should attract considerable capital. The present third 4-year plan (1961–64) entails new capital investment of $1.1 billion (U.S.). Much rationalization is needed in the marketing of industrial products. But considering these and other needs, the fact is that the economy of free China is flourishing. What in time will be of concern to all is its rapidly expanding population. Where can it go? The only sensible answer is the mainland. The motive force behind the rapid economic development is the eventual liberation of the mainland. As shown before, this objective is also free China's reason for existing and prospering. Thus the economic, the demographic and the political merge into a massive force for freedom. And the force is properly and sanely oriented toward liberation.

FREE CHINA'S LIBERATION POLICY

In a solid sense the Republic of China must continue to exist not only to liberate the mainland but also to liberate the United States from its recurring psychoses of apathy and appeasement toward Russian and Chinese totalitarian imperialism. I made this point in a lecture on "The Free World's Inescapable Policy of Emancipation" presented in Government Hall in Taipei.[5] Conferring with leaders of civic Chinese organizations, I was deeply moved by the logic and practical commonsense of their position on liberation. In both, a lecture on "The Liberation Policy of the United States" and an exchange of views on the Republic's policy, I couldn't help but fully agree with Chairman Ku Chengkang and China's members in the Asian Peoples' Anti-Communist League as to the utter vagueness of present U.S. policy and the fact "that only a policy of liberation could avert a third world war."[6]

Difficult as it is for me to make these admissions, the truth is that they are founded on fact. Some of them I made on a half

[4] "Every Road Leads to Freedom," *China News*, Jan. 25, 1962.

[5] "A Sound Policy Toward the Enslaved Nations," Mainland China, Feb. 1, 1962.

[6] "China Call for Global Freedom Crusade," China News, Jan. 24, 1962.

hour USIS broadcast and to this day I wonder how much of it was approved.[7] This first concerns the understanding and knowledge of Free China's leaders in regard to the policy of liberation. Having had much to do with this policy here, I can frankly state that they have a keener appreciation of it than many of our own leaders, particularly those who naively believe you can do business with Khrushchev. You may explain this in terms of their close proximity to the problem. Whatever the cause, the fact remains as given. Should a mass eruption take place on the mainland, involving both the military and the civilian population, President Chiang would have his opportunity to exercise in full this sane policy.[8] The question is whether he would allow a likely U.S. policy drag make this a foregone opportunity. In the writer's judgment, as he publicly expressed it in Taipei, the Republic should do everything presently possible to incite such an eruption.

A second point of admission is that free Chinese leaders have a far more enlightened understanding of the Soviet Union and the many captive non-Russian nations within it than most of ours. This was clearly indicated to me in a half-hour meeting with President Chiang Kai-shek whose health, vigor, and mental alertness plainly contradict other mythical stories circulated here.[9] Certainly nowhere did I encounter the absurdities committed by Secretary of State Rusk, for whom Ukraine, Georgia, and Armenia are "traditional parts of the Soviet Union."[10] With respect to the captive non-Russian nations I stated there what recently I stressed here: "The lack of an imaginative, positive, and winning policy continues to be our blight."[11] In a lecture given at their Armed Forces Staff College on the basic subject, "The Fiction of the Monolithic Military Power of the U.S.S.R.," I examined the important of the non-Russian nations and found a most receptive understanding on the part of the audience. In fact, it far surpassed my experiences in this country. An earlier article translated into Chinese may have contributed to this.[12]

These and other fundamental differences between their understanding and ours go a long way to account for the easy myths disseminated in this country. My visit to Kinmen and luncheon with General Wang were enough to establish the fictions discussed by our presidential aspirants in 1960. If Kinmen and Matsu are militarily dispensable, then we might as well throw in Taiwan, Okinawa, and Hawaii. The military fortress of Kinmen is vitally important to the defense of Taiwan, to the defense of free Asia, and to the liberation of the mainland. Though it may seem farfetched to some, in terms of the liberation policy it is vital also to Laos and Vietnam where free Chinese forces may yet be employed.[13]

After my visit the pattern of a campaign developed in several free world quarters for the shipment of U.S. surplus food to mainland China where, despite the blind statements of General Montgomery, famine, starvation, and resistance are rife. This proposal must be opposed in favor of a food-for-liberation campaign, starting with the donation of food by the people of the Republic of China. This is only one of a number of concrete things that could be done to further liberation and freedom. In sharp contrast to the views of some, this writer emphasizes again that the Republic of China is our strongest ally in Asia.[14] To appreciate this, one should begin to pierce the myths with the empirical test of seeing is believing.

[7] Interview on Free China, U.S. Information Service, Jan. 24, 1962.

[8] "Professor Dobriansky Has Great Confidence in Free China's Recovery of Mainland," China Post, Jan. 31, 1962.

[9] "Dobriansky Visits Free China," Foreign Service Courier, Georgetown University, March 1962, p. 12.

[10] Author's criticism on Rusk's fiction, Buffalo Courier-Express, Apr. 1, 1962.

[11] "Captive Nations Policy Cleavages Are Detailed," World, Apr. 17, 1962, Washington, D.C., p. 12.

[12] "The Adjustment of Several Fundamental Concepts Concerning Anticommunism and Resisting Soviet Russia," Modern Politics, Dec. 20, 1960.

[13] "Free Nations Called Upon To Fight Reds in Laos, Vietnam," China Post, Jan. 22, 1962.

[14] "Report on Free China," Georgetown University Forum, Feb. 25, 1962; "Peter Tang Scores His Fatherland," Newsdom, Hong Kong, Mar. 24, 1962.

DECLARATION OF THE MASS MEETING IN SUPPORT OF THE PEOPLE OF CAPTIVE NATIONS FOR FREEDOM

Behind the Iron Curtain in Europe and Asia there are more than 800 million people enslaved by the Communist regimes. Outside the Iron Curtain, the people of free nations are facing the threat of Communist aggression that tries in every possible way to conquer the free world.

Yet because of the Communist despotic rule that runs counter to human nature, and because of agricultural failure that not only causes economic recession and social chaos but also threatens the rule of Communist regimes, the disintegration of the entire international Communist movement has now become an inevitable trend of history.

The movement of the Captive Nations Week, set in motion by the people and Government of the United States with the enthusiastic response and warm support of all free nations in the last 3 years, has brought sympathy and concern to the enslaved peoples' struggle for freedom and independence. To them this is a tremendous encouragement.

As a result of this encouragement, the enslaved peoples' determination to fight for freedom and against starvation is gaining momentum at a tempo quickened with each passing day. A convincing proof of this is the steady increase in the number of freedom seekers who have revolted against the Communist regimes and have deserted the Communist rule in the last year. The continual flow of the Iron Curtain people to West Berlin and the recent mass exodus of starving Chinese people to Hong Kong and Macao are another living proof.

Irrespective of the building up along the East Berlin border of walls by the Communist-ruled East Germany, and regardless of the reinforcement of Chinese Communist patrols along the Hong Kong border, the undaunted willpower of the enslaved people to break through the Iron Curtain in quest of freedom and survival is irresistible. It will one day flare up into an anti-Communist revolutionary conflagration and bring about the collapse of the Iron Curtain.

Nevertheless, much to be regretted is the fact that some free nations are still following a policy of appeasement and compromise toward the disintegrating Communist regimes at a time when the Iron Curtain is falling apart. This policy of appeasement and compromise is manifested clearly in the recent convocation of the Laos Conference in Geneva, and in the establishment of a coalition government in this Asian country.

Today, when the Captive Nations Week is being observed in the United States and in other free nations, we consider it necessary and imperative to voice some opinions of our own:

1. We are of the conviction that to establish a closer tie of unity among the free nations and to adopt an unwavering policy toward the Communist countries is an effective way to thwart Communist aggression and expansion. To this end, the free nations must get rid of their policy of appeasement and compromise, stand firm for the defense of Berlin, give effective aid to South Vietnam and Thailand, maintain freedom and independence in Laos, and frustrate the Chinese Communist military intimidation and political blackmail.

2. We are of the opinion that the lofty ideal of the Captive Nations Week cannot be achieved merely by expressing sympathy and concern for the enslaved people. They need something more substantial than sympathy and concern. Only positive assistance and concrete action can help the enslaved people regain their freedom. Only these can avoid a repetition of the tragic failure of the Hungarian revolution and the Tibetan uprising.

3. We want to point out that the Iron Curtain in Europe and Asia is crumbling down, that the time is near at hand for the free world to tear down the Iron Curtain which makes a mockery of human freedom and dignity. All free nations, especially the United States that has been hailed as leader of the free world, must not let this favorable opportunity slip by. Both the enslaved people struggling for freedom behind the Iron Curtain and the free people fighting for emancipation of the enslaved people outside the Iron Curtain are in need of support and assistance to translate into reality the lofty ideal of the Captive Nations Week.

To all free nations the world over, the people of the Republic of China want to repeat once again that our sacred duty is none other than to regain our mainland and to emancipate our enslaved compatriots from the Communist rule. We must consummate this sacred duty of ours.

Meanwhile, we are ready at all times to cooperate with the United States and all free nations in a common struggle for regaining the freedom and independence of the enslaved people behind the Iron Curtain both in Europe and Asia.

TEXT OF A SPEECH DELIVERED BY MR. KU CHENG-KANG, PRESIDENT OF THE CHINA CHAPTER, APACL, AT THE MASS MEETING TO GIVE SUPPORT AND AID TO THE PEOPLES OF THE CAPTIVE NATIONS IN THEIR STRUGGLE FOR FREEDOM

Ladies and gentlemen, we, the people of the Republic of China, are giving our response to the Captive Nations Week movement sponsored by the United States at the time when international Communists are intensifying their aggressive designs in an effort to achieve world conquest and when the enslaved peoples shut behind the Iron Curtain in Europe and Asia are struggling for their freedom and survival. It is indeed a source of great encouragement to see the sympathy shown and support given by the United States to the captive nations and their peoples. On the other hand, we cannot but be conscious of the magnitude of our responsibility for those captive nations and their peoples whose demand for deliverance has become more urgent than ever.

"Freedom and slavery can never exist side by side." "Freedom will ultimately triumph over slavery." These are the basic convictions of all those who love and strive for freedom. "To tear down the Iron Curtain is a sure guarantee for the protection of the free world" and "to restore the freedom of the enslaved peoples is the most effective measure to protect the peoples who are still free." These are the ways to strive for freedom which have been pointed out before. We are confident that these convictions and ways to strive for freedom are the direction which not only serves as a guide to our current struggle but also is a historic rule in the struggle for freedom by mankind.

On the basis of this recognition and in the light of the requirements of the present objective situation, we hold the view that, to realize the ennobling goals of the Captive Nations Week movement, it behooves the free world to adopt a firmer anti-Commu-

nist policy and to map out more effective ways and means in the fight against communism. Take the current crisis in Asia for an example. To force Laos to form a coalition government and to send the refugees back to the Chinese mainland from Hong Kong are the biggest mistakes made by the free world. The recent mobilization on the mainland and concentration of Communist troops opposite Kinmen and Matsu have made the situation at the Taiwan Straits very tense. The Communist Hsin Hua News Agency broadcasted that the concentration of Communist troops along coastal areas opposite Taiwan was aimed at defending against the counter offensive by the Government forces. An analysis of Communist intrigue, however, reveals that the recent mobilization by the puppet regime is designed to achieve the following purposes:

1. To test President Kennedy's determination to defend Kinmen and Matsu and to give support to the counterattack against the mainland by the Chinese Government and at the same time, to invade offshore islands at a propitious moment.

2. To create a tense atmosphere at the Taiwan Straits so as to revive the demand to give up both Kinmen and Matsu by international appeasers whose minds are dominated by fear of war or to manufacture world public opinion against the recovery of the mainland by the Chinese Government.

3. To divert the attention of the people under Communist domination from the dismal situation at home through military mobilization and thereby to put to an end the mass exodus of hungry refugees from the mainland which reached its climax in April.

4. To pave the way for further expansion in southeast Asia by means of "shouting in the east and hitting at the west" tactics and by pretending to make an invasion against Kinmen and Matsu. From the above analysis, it is clear that Communist military mobilization is at once defensive and offensive in nature. They apply political blackmail and military aggression simultaneously. The strategic goal is to conquer the whole region of Asia. For this reason, the most urgent thing facing the Asian nations and their peoples is how to checkmate further Communist expansion and how to deliver the enslaved people from the yoke of Communist rule.

First of all, we have to point out that the Chinese Communists are the source of all troubles in Asia. They pose a threat to the freedom of mankind. The serious famine, economic exhaustion, and social disorder on the mainland have deprived the Communists of their power of control and their rule has come to the brink of collapse. We should recover the mainland and deliver millions upon millions of our suffering compatriots at an early date. Khrushchev clamored at Rumania on July 2 that, should the Republic of China launch counterattack against the mainland, it would be countered by the combined forces of the Communist bloc.

Threat such as this by Khrushchev is nothing new to us. However, we have to warn the Kremlin chieftain that, should the Soviet Union have the audacity to stage a nuclear war, she would be the first one to be destroyed, and that, should she involve herself in the national war on the Chinese mainland, she would be doomed to failure. We are confident that the destruction of the puppet Communist regime in Peiping would deprive Soviet Russia of her main cat's-paw. It would never lead to global war. On the contrary, it is the way to avert it.

Next, we have also to point out that the chief cause for the current crisis in Asia is due to the fact that the anti-Communist nations in Asia have not yet united themselves into a single entity. For this reason, they cannot take joint action in the struggle against the Communist bloc with their collective efforts, thus giving the Communists the chance either to beat or to nibble at and conquer them individually. True that there is a collective security organization in the shape of SEATO in Asia. But this organization has its prenatal and postnatal drawbacks. The deterioration of the situation in southeast Asia is a proof that this organization is incapable of checkmating Communist aggression. Its failure to do the task it is supposed to do tells us that the salvation of Asian crisis lies in the unity of all anti-Communist nations in Asia.

Therefore, all Asian peoples should urge their own governments to set up an anti-Communist alliance of all nations in Asia at an early date. This alliance will be responsible for mapping out the common political and military tactics, so as to deal a crushing blow to Communist aggression with their combined efforts. It is all the more necessary for the anti-Communist nations in the Pacific region to unite themselves so that this collective organization can be turned into an anti-Communist alliance of all nations in Asia and the western Pacific region in their common effort in the struggle to eradicate the Red peril in Asia.

Finally, we have to point out that the United States as the leader of the free world cannot absolve herself from a share of responsibility for the serious situation in Asia today. While admiring the courage of the United States in taking up the leadership in the worldwide anti-Communist struggle against communism, we regret to say that, so far as her leadership in the fight against communism in Asia is concerned, she has failed to grasp the key to the solution of the Asian problem and lacked an overall and positive policy. In her struggle against communism in this area, she has been always on the defensive. Just because of this, the Communist influence in Asia has become more rampant with every passing day. In view of this fact, we have to call upon the United States to make an overall revision of her anti-Communist policy in Asia by turning her passive role to a positive one. She should first of all promote the establishment of the anti-Communist alliance of all anti-Communist nations in Asia. More particularly, she should give positive support to the anti-Communist revolutionary movements behind the Iron Curtain, so that the anti-Communist force outside of the Iron Curtain can be brought into the Iron Curtain. Only thus can the freedom of the enslaved peoples be regained at an early date.

Ladies and gentlemen, economic and political crisis with which the nations of the Communist bloc have been confronted explain that communism is not an ideology which meets the requirements of the mankind. It further proves that the Communist revolutionary movement has been at its low ebb and is on the point of complete failure. Now is the time for the whole free world to unite itself to deliver the enslaved peoples from the clutches of Communist tyranny. Now is also the time for the Chinese Government and its people to rise up in carrying out their sacred mission to recover the mainland and to rescue the mainland people under the yoke of Communist rule. Time is favorable to our enemy. It is hoped that the free world, with special reference to the United States as its leader, will hold firm the chance and redouble its efforts, thus hastening the day to achieve independence and freedom of the captive nations and their peoples and thereby accomplishing the sacred mission of the Captive Nations Week movement.

[From the China News, Aug. 20, 1962]

RAMOS: TO HELP CAPTIVE PEOPLES RESTORE FREEDOM

Philippine Ambassador Narciso Ramos today called on the United States to take the initiative in helping the Communist captive nations restore their freedom.

Speaking at a mass meeting in support of the captive nations this morning, the Ambassador said the Khrushchevs and Mao Tse-tungs of today are "more sinister" than the Hitlers and Mussolinis of yesterday.

The Communist dictators, he pointed out, are menacing "our lives, our fortunes, and our very freedom." The peril, he said, is "more deadly than any with which mankind has ever been confronted."

Noting the sufferings of the Communist enslaved peoples and the recent refugee exodus from the mainland, the dean of the diplomatic corps declared: "It is not enough that we mobilize to help these refugees. We must first resolve to hasten the hour of deliverance of those left behind the Iron Curtain.

"We must find means to strengthen their morale so that they may be prepared to strike the necessary blow for freedom when the opportune moment arises. And the free world must be ready to come to their assistance when they rise in revolt against their oppressors."

Ramos called on the West to coordinate their efforts to help the captive nations recover their freedom. But, he added, "If success is to be achieved, the United States of America, as the leader of the free world, must take the initiative with bold and imaginative measures. I believe the other free nations will follow suit."

[From the China Post, Aug. 20, 1962]

CHIANG URGES PEOPLE ON MAINLAND START ANTISTARVATION UPRISING

President Chiang Kai-shek yesterday called on the Chinese people on the China mainland to stage an antistarvation uprising against the Red Peiping regime when it is suffering from an internal crisis.

In a message read to "the assembly supporting the people of the captive nations by the people of the Republic of China," the national leader urged the mainland people to do so "in coordination with anti-Communist forces in the free territories to overthrow the Communist regime, remove the cause of disaster in Asia, destroy communism and give mankind a new chance to lead a life of freedom and peace."

"During the past year, as the Communist rule assumed increasingly tyrannical proportions, our mainland compatriots have staged one uprising after another," the President said.

"Last March, Liu Chen-sze bravely came over in a Mig-15. In recent months, thousands upon thousands of refugees have tried to flee the mainland for freedom.

"All these facts are a prelude to the outbreak of large-scale anti-Communist movements and the total collapse of the Peiping regime."

He said the "inhuman methods" the Reds employed to repress the captive peoples had caused "countless human tragedies."

"Today," he said, "the people in the Chinese mainland are hovering on the verge of death. Their desire for deliverance is clearly seen in reports of refugees who fled the mainland."

The assembly, presided over by Ku Cheng-kang, chairman of the Free China Relief Association, was attended by many Chinese civic leaders and foreign diplomats.

KU URGES UNITED STATES TO ADOPT MORE POSITIVE ANTI-COMMUNIST POLICY IN FAR EAST—ENSLAVED PEOPLES MUST BE LIBERATED: RAMOS

Ku Cheng-keng, president of the China Chapter of the Asian Peoples' Anti-Communist League, yesterday urged the United States to give "positive support to the anti-Communist revolutionary movements behind the Iron Curtain."

At a mass meeting in support of captive nations and peoples in their struggle for freedom, Ku said that the people of free China want to call upon the United States to make an overall revision of her anti-Communist policy in Asia by turning her passive role into a positive one.

"She should first of all promote the establishment of the anti-Communist alliance of all anti-Communist nations in Asia," Ku pointed out. He added: "More particularly, she should give positive support to the anti-Communist revolutionary movements behind the Iron Curtain, so that the anti-Communist force outside the Iron Curtain can be brought into the Iron Curtain."

Only thus can the freedom of the enslaved peoples be regained at an early date, Ku said.

PASSIVE POLICY

Ku also criticized the United States for her passive policy in Asia. "We regret to say that, so far as her leadership in the fight against communism in Asia is concerned, she has failed to grasp the key to the solution of the Asian problem and lacked an overall and positive policy," he added.

The APACL China Chapter president is the first civic leader in China who has openly criticized the United States-Asia policy. He pointed out: "In her struggle against communism in this area, she has been always on the defensive. Just because of this, the Communist influence in Asia has become more rampant with every passing day."

The meeting, which was held at 9 a.m., was attended by over 1,000 notables and civic leaders including Philippine Ambassador to China, Narciso Ramos, president of the Legislative Yuan Huang Kuo-shu, and so forth.

Ambassador Ramos said at the meeting that it is not enough for free nations to mobilize to help refugees. "We must first resolve to hasten the hour of deliverance of those left behind the Iron Curtain," he pointed out.

"We must find means to strengthen their morale so that they may be prepared to strike the necessary blow for freedom when the opportune moment arises. And the free world must be ready to come to their assistance when they rise in revolt against their oppressors," the Philippine envoy said.

GREATER RESOLVE

Ramos, who is dean of the diplomatic corps in Taipei, said that he feels there should be a greater resolve on the part of the democracies of the West to coordinate their efforts to help the captive nations recover their freedom. "If success is to be achieved, the United States of America, as the leader of the free world, must take the initiative with bold and imaginative measures. I believe the other free nations will follow suit," he pointed out.

A three-point announcement was also made at the mass meeting in which democratic nations throughout the world are called up to change their compromise policy to a positive one.

"We regard one of the best ways to cope with Communist aggression," the announcement said, "to be the strengthening of free world solidarity." It added: "We have to stand firm in safeguarding Berlin, helping Vietnam and Thailand, insuring the freedom and independence of Laos and shattering any Communist attempts to start a war of invasion in the Taiwan Straits."

The announcement also pointed out that the free nations should replace their sympathy with peoples of captive nations with full support and translate their sympathy in action.

"Now is the high time for the free world to destroy the Iron Curtain because part of it has been opened," the announcement added.

NEW YORK TIMES AND OIL DEPLETION

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. GONZALEZ] may extend his remarks at this point in the RECORD and include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. GONZALEZ. Mr. Speaker, I would like to call to the attention of the Members articles that appeared in the New York Times on July 7 and July 8.

In response to these articles, Mr. Fred W. Shield, of San Antonio, prepared the following remarks which he mailed to the editor.

Under permission to extend my remarks, I include the statement and article at this point:

The attached column by James Reston of the New York Times is an example of the latest epidemic of articles by some Washington columnists who have taken it on themselves to needle the administration and Congress into getting rid of percentage depletion during the next go-round on taxes.

Through tongue-in-cheek satire, employing ridiculous and spurious analogies, they are trying to pump up "depletion" as a touchy political issue. To simplify the issue, their strategy is to build up percentage depletion as a special largess for (1) the personal benefit of Senator ROBERT KERR, of Oklahoma, and (2) Texas.

As the leading oil-producing State, Texas does, of course, have a large stake in legislation affecting the economics of oil and gas, but the cunning antidepletion propagandists conveniently overlook the fact that operations in other oil-producing States account for about two-thirds of the total deductions granted for depletion in this country. The simple image of Texas greed which they try to create would be complicated, of course, by naming other States whose economy would be adversely affected, such as Louisiana, California, Oklahoma, New Mexico, Wyoming, Kansas, Illinois, North Dakota, Mississippi, Colorado, Arkansas, Montana, Alaska, etc.

The unfunny truth is that the economic reaction to abolition of percentage depletion will be nationwide, affecting hundreds of thousands of investors in American oil companies who have scarcely, if ever, heard of Senator KERR and who have only a vague idea about Texas.

These irresponsible needlers would want no responsibility to the consumer who would probably have to pay considerably more for petroleum products if depletion were destroyed. Should the economic function performed by percentage depletion be replaced by increased gasoline prices, it is estimated that the consumer would have to pay something like 5 cents a gallon more for his motor fuel.

The fact that Senator KERR has substantial oil interests (as other Senators have agricultural, banking, manufacturing, or other interests) is not proper grounds for indictment of this essential tax provision. It is doubtful that impairment of the percentage depletion rates would be nearly so harmful to Senator KERR's personal fortunes as it would to an Odessa roughneck whose job was wiped out by reduced drilling and exploration.

It is significant that none of the columnists treating, from time to time, on depletion ever seem to have a constructive idea as to how the search for oil and gas should be stimulated without percentage depletion. When only about 3 out of every 100 rank wildcat wells turn out to be successful producers, it is obvious that there must be some incentive to invest capital in this search. Even then, however, depletion provides only about $1 out of every $4 which are expended in the development of production.

Fatuous writers may be regaling each other and even some important members of our Government with their cleverness in poking fun at Senator KERR and Texas, but here is something that is hard to laugh off:

Applied to current annual oil production in Texas the depletion factor would be equivalent to the amount of money needed to drill about 7,000 wells. This would involve something like $340 million worth of drilling, $55 million of pipe and other well equipment (which is made in places like Pittsburgh, Chicago, and other non-Texas locales), and some $153 million in cementing and other services. Involved in this much industry activity would be about $95 million in annual payrolls, or some 20,000 jobs.

At current rates of discovery, this number of wells would be needed to locate about 470 million barrels of reserves, roughly a half year's production in Texas.

Furthermore, industry economists estimate that the abolition of percentage depletion as currently calculated could actually cause a loss of revenue to all levels of government that would run into the hundreds of millions of dollars. This is, of course, contrary to claims that cutting depletion would enrich the Federal Treasury. Industry studies show that the production of a barrel of crude oil generates approximately $2 in taxes at various government jurisdictions. Less production would be the certain result of reduced oil reserves, which would be the inevitable consequence of less drilling.

Some of the Washington writers are trying to be funny with depletion today, but their purpose is serious and if they are successful in their aims, the results will be tragic.

Responsible people advocating tax cuts do so with the motive of stimulating the economy. It would be foolish to seriously cripple one of the most important industries in the country and throw thousands out of work by tampering with percentage depletion.

Development of this country's oil reserves just happens to be more vital to the United States, its standard of living, and military security, than jokes at the expense of Texas or Senator KERR.

[From the New York Times, July 8, 1962]

FIERY RUN, VA.: DO YOU FEEL DEPLETED? SEE SECRETARY DILLON

(By James Reston)

FIERY RUN, VA., July 7.—Secretary of the Treasury Dillon, who is not yet seasonally adjusted to the summer, has been working away in Washington on a new tax law, and is going around asking for suggestions about how to close the biggest tax loopholes.

Actually, there are only three ways to get rid of the biggest loophole of all—the 27½-percent deduction for depletion and depreciation of oil and gas wells.

The first is to get rid of Texas, which may be difficult. The second is to shoot Senator ROBERT KERR, of Oklahoma, which is illegal. And the third is to apply the principle of tax deduction for depletion to all natural resources.

Part 1 of section 611 of title 26 of the Internal Revenue Code deals with "natural resources" and is based on the idea that if you have a natural resource which is used up or "depleted" with the passage of time, you are entitled to a tax deduction.

DILLON'S MISTAKE

Mr. Dillon's mistake has been in trying to persuade Texas and Senator KERR to give up this bonanza. They want to be paid for the oil they sell and paid again for not still having what they have sold. What Mr. Dillon could do, however, is to apply the depletion principle across the board.

Take pretty girls. Nobody would deny, certainly not Senator KERR, that they are a "natural resource." Also, feminine beauty, like oil, is a wasting asset. Nothing depletes a gal more than having a flock of kids, yet the present law does not apply to her.

This is clearly an injustice. Section 611 of the Internal Revenue Code says: "There shall be allowed as a deduction in computing taxable income a reasonable allowance for depletion and for depreciation * * * according to the peculiar conditions in each case."

Admittedly, it might be difficult to calculate the value of depleted beauty, especially since there would indeed be "peculiar conditions in each case." Some women, for example, depreciate fast and would therefore be entitled to a quick writeoff or depreciation allowance.

WHAT ABOUT PRIZEFIGHTERS?

Also, if oil wells are entitled to a depletion allowance, what about prizefighters? Nothing depletes a man quicker than a hard punch in the nose. It takes longer to bring in a good heavyweight than a good oil well, and the supply of natural prizefighters is short.

Thus, the American prizefighter is at a disadvantage. He has no protection, like glass and carpet manufacturers, from foreign competition. Ingemar Johansson, the Swedish meteor, has a tax haven in Switzerland and got out of this country with more dubious foreign aid funds than Chiang Kai-shek. But the poor American pug is stuck. He blooms and fades like the morning-glory, and while section 611 of the tax code protects the operating mineral interest of lead and zinc—the Senate majority leader, MIKE MANSFIELD, comes from a lead and zinc State—nobody protects the operating mineral interest of bone and gristle.

Novelists are another American natural resource with a high depletion rate. They deplete themselves gathering enough experience to write a novel, and then deplete themselves further in the writing. The Treasury Department recognized this fact for General Eisenhower when they let him consider his memoirs as a life work and write them off as a capital gain. But most novelists shoot their whole story in a single volume and usually end up without either capital or gain.

Secretary Dillon ought to put these points to Senator KERR. He cannot remove the depletion allowance in the tax structure without removing Senator KERR, who has almost as many oil wells in and around Oklahoma as he has votes. But the Secretary might be able to appeal to the Senator's sense of humor, if not to his sense of justice.

If this cannot be done, Mr. Dillon is in trouble. For he cannot recommend a general tax cut without tax reform, and he cannot get a fair tax reform without doing something about the biggest tax loophole of the lot.

In fact, the oil and gas depletion allowance has become the symbol of tax inequality, and Senator KERR the personification of the problem. His political influence is not depleted but enhanced with the passing of time, so Mr. Dillon has to find a new approach, no matter how silly.

MR. HALABY'S VISIT TO SAN ANTONIO

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. GONZALEZ] may extend his remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. GONZALEZ. Mr. Speaker, Yesterday I brought to the attention of the House the newspaper report of Federal Aviation Agency Administrator Mr. Najeeb Halaby's visit to San Antonio in May of this year. This was the occasion when Mr. Halaby sought to dismiss any question about the advisability of moving the San Antonio air route traffic control center to Houston by attacking me rather than dealing with the subject under question.

In an effort to show that I am not alone in taking exception to Mr. Halaby's ad hominem approach to this problem, I bring to the attention of the House the editorial comment of San Antonio's three leading news editors on this same incident.

On May 22, 1962, the San Antonio Light made editorial comment under the heading, "Halaby Goofs," saying:

Najeeb Halaby, Administrator of the Federal Aviation Agency, may have done San Antonio a good turn by forgetting his manners and his responsibilities when he arrived at the airport.

Mr. Halaby's rudeness to the mayor and the president of the chamber of commerce was a rebuff to the entire population of Bexar County.

These officials were seeking to protect the welfare of the whole community in protesting the proposal to move the air traffic control center from San Antonio to Houston.

The FAA Administrator's display of bureaucracy in its worst form was a reflection on the Democratic administration and will not sit well in Washington.

This means that the facts which Mr. Halaby seems so reluctant to disclose are likely to be brought out in the open and scrutinized carefully.

Representative HENRY GONZALEZ reports that the General Accounting Office has agreed to make an investigation.

We are entitled to know whether the closing of control centers in San Antonio and New Orleans, and the creation of a new center in Houston, is justified on the grounds of safety, efficiency and economy.

So far as San Antonio is concerned, the proposal is surprising, to say the least, because of the large volume of Air Force traffic that must be dovetailed with commercial flights.

Representative GONZALEZ asked 12 questions in a letter to the FAA, but received no reply.

Mr. Halaby must answer now, if the FAA is to retain the confidence of the public. The safety of thousands of passengers is involved.

The same day, the San Antonio News made editorial comment under the heading, "Mr. Halaby's Economy and His Tantrums," saying:

FAA Administrator Najeeb Halaby may have abundant reasons for moving the air traffic control center from here to Houston. But he needs to detail it to the people because this is public business, a point the man seems to have overlooked.

We are for economy.

We are for safety.

We are also for accountability. Mr. Halaby should find it simple enough to explain what the savings will be—if any. He should find it easy enough to explain why a new location would give us greater efficiency and safety—if it will.

It is known that the FAA set its plans some 3 months before any news of it leaked out and Congressman GONZALEZ raised an alarm. An official in the FAA agency said, in a private conversation at that time, the move was set and "nothing can be done to stop it."

Mr. Halaby's plan of operation apparently was to slip the change through without anyone knowing anything about it. That was a foolish plan. It was also impossible to do. He should know by now that citizens are interested in what happens with their agencies and officers and funds. They are entitled to know any and all details of public business and the bureaucrat who declines to take the public into his confidence is making a big mistake.

People in this old cowtown are proud of their part in the development of aviation in America and some of us think we know a thing or two about it.

Furthermore, we do not admit that any public official is above reproach nor immune from being asked to make reports on the public's business.

The San Antonio Express has editorialized twice on the disputed matters with FAA and most recently on August 1, 1962, ran its comments under the heading, "Battle With FAA in Second Round" and added:

Congressman HENRY B. GONZALEZ is a persistent man. He has opened round two of his battle against the bureaucrats in the case of the Federal Aviation Agency. Round one came last spring when FAA Administrator Najeeb Halaby announced that the air traffic control center here was going to be moved to Houston.

Congressman GONZALEZ is now undertaking to document his objections to that move before the House of Representatives. As a freshman Member and against the opposition of Houston Congressman ALBERT THOMAS, Mr. GONZALEZ has his work cut out for him. Congressman THOMAS, in addition to being from Houston, is chairman of the Appropriations Subcommittee, where funds for the move would be considered.

Mr. GONZALEZ is dead right in his approach. He insists that the economy of the move be demonstrated and that the technological desirability of the move be documented. In that stand he surely has the unqualified support of Bexar County and he deserves the support of every taxpaying citizen of these United States.

The FAA center was moved into spanking new quarters here only 2 years ago. The FAA control system was installed under the direction of former FAA Director Elwood Quesada, an Air Force general who grew up with aviation and air safety.

There is no charge that the local center is obsolete. The Halaby version is that he can effect economy by combining two centers (San Antonio and New Orleans) into one at Houston. That version has not been documented.

The Congress should look to the overall good of the Nation. It should insist upon sound programs based upon sound planning. We think Mr. Halaby's proposal lacks these elements and we support Congressman GONZALEZ' attempts to demonstrate that this is so.

JUDGE MICHAEL DE CIANTIS

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Rhode Island [Mr. ST. GERMAIN] may extend his remarks at this point in the RECORD and include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. ST. GERMAIN. Mr. Speaker, juvenile delinquency is one of the most prominent and compelling problems facing our Nation today.

Many opinions have been advanced as possible solutions to this difficulty and many approaches have been tried with varying degrees of success.

One of the most practical suggestions made to date was recently put forth by one of Rhode Island's most distinguished and learned jurists, Judge Michael De Ciantis of the Rhode Island Family Court. Judge De Ciantis is firmly convinced that the delinquency problem is one that must be handled by the community as a whole, working through a coordinated program that should be short on redtape but far reaching in effectiveness.

To help solve the problem in my State, Judge De Ciantis proposes an integrated board comprised of representatives of the schools, the churches, the medical profession, the field of social work, the legal profession, and other interested agencies and citizens' groups.

An excellent editorial explaining the judge's proposal and commenting on the need for it appeared in the Italian Echo, an outstanding Rhode Island newspaper, of August 17, 1962.

Under unanimous consent, I include it in the RECORD at this point:

THE PROBLEM OF DELINQUENCY

The problem of delinquency in our community, like that in practically every State in the Union, continues to be one of the more baffling and aggravating social problems of our day. In spite of dedicated efforts by numerous agencies, social welfare and youth organizations, and law enforcement groups, we appear to be making little headway in curbing the harmful tendencies in our youth. Many of our national leaders in various fields, including President Kennedy, recognize the seriousness of the problem. They realize full well that the future well-being and safety of our Nation depends on the proper attitudes and behavior of our youth. They also must realize that, unless there is a united and logical assault on it, we cannot hope for the desired solution to the problem.

All too often, unfortunately, many of us are prone to throw up our hands in surrender and helplessly confess that we cannot do a thing to solve the problems that face our children. While we shout vociferously that something must be done—and quickly—to bring these delinquents into line, we are eager to hand the responsibility of accomplishing this to others. We are too busy to be bothered about what our children are doing, or with whom they are consorting. Instead of taking an active interest in the activities of our children we shy away from them and trust someone will be interested enough to fight the battle.

The recommendation of Family Court Judge Michael De Ciantis, that the problem of juvenile delinquency be attacked by a civic organization, with a statewide application, is one which merits serious consideration. He is absolutely correct, we feel, in his implication that the problem is one for the entire community to handle, working together as a unit. Until there is this consciousness that the problem cannot be delegated to one or another, we shall be continually plagued by it.

No one can deny that the most important element in this problem of delinquency is the family setting and background. Parents cannot escape their responsibility in the proper education and rearing of their children. They cannot evade the fact that, while there are numerous social and welfare agencies to assist them, they must be most vitally interested in bringing about the desired behaviors in their children. Since all too often, this family responsibility is lacking, then those who work closely with the family must be brought into the picture.

Existing community services on the private, local and State level, the judge wisely proposes, should be brought together on an integrated board to discuss any proposed methods of meeting the problem. This board should consist of representatives of the various agencies which work with youth and the family. It should include the school people, for as Judge De Ciantis implies, there is a distinct correlation between school failure and juvenile misbehavior. It should include: attorneys who are intimately aware of family problems; doctors, who minister to their physical needs; church people, who minister to their religious needs; and youth workers, who understand the attitudes and problems of youth. It must, in short, be comprehensive in scope to include all those whose work is with youth.

We hope that recommendations of Judge De Ciantis are put into practice quickly. We hope that this board will propose a program to meet the restless energies of our teenagers, who appear to have too much time on their hands with little to challenge them. This board must cut a lot of the redtape that usually surrounds boards of this type. They must be ready to tackle the problem quickly, efficiently and effectively. We are confident that, if this be done, this problem of juvenile delinquency can be curbed to satisfaction of both the youth involved and society as a whole.

SENATOR SCOTT DISCUSSES NEED FOR MINORITY STAFFING

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that the gentlemen from Iowa [Mr. SCHWENGEL] may extend his remarks at this point in the RECORD.

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

There was no objection.

Mr. SCHWENGEL. Mr. Speaker, last week I picked up at the Press Gallery a truly remarkable statement prepared by Senator HUGH SCOTT, of Pennsylvania, on the subject of the need for more adequate Republican minority staffing. Senator SCOTT, one of the most respected Republicans in the Senate and in the Nation, is ideally equipped to discuss this matter because he has served with distinction as the national chairman of the Republican Party as well as being a Member of this body for many years and now being a Member of the other body. It was typical of Senator SCOTT that he spent over 8 weeks carefully preparing his case and consulting with distinguished Republican political scientists from MIT, Pennsylvania colleges, and others whom he knew. Also because of wide contacts in the Republican Party, Senator SCOTT was able to tap the thinking of leading Republican men and women throughout the Nation as well as elected Republican officials on the State county, and local level as well as in Washington. It was well worth waiting for Senator SCOTT's speech because the product was so sound in scholarship and practical in procedure. I hope that every Republican Member of the House will carefully study this "keynote speech" which Senator SCOTT and his Republican associates throughout our country have prepared.

In this body I have discussed staffing with a like-minded group of Members of this body on three occasions—March 28, 1962, page 4925; April 4, 1962, page 5481; and April 11, 1962, page 5875. Action on my Resolution 570 by the Rules Committee is long overdue. However, I am very encouraged, as are other distinguished Members of this body who are dedicated to strengthening the Republican Party, notably my respected friend and colleague, TOM CURTIS, of St. Louis, Mo., and others, that this Republican effort move forward. Senator SCOTT is a very practical man. His years of service to Pennsylvania, the country at large, and the Republican Party are well known. His constructive suggestions merit support and good direction on the part of those of us who want to find constructive answers to legitimate problems. Mr. Speaker, I join with two former Members of this body now serving in the other body—Senators JACOB K. JAVITS and KENNETH B. KEATING, of New York, in urging implementation of Senator SCOTT's remarks. I feel somewhat like Senator JAVITS who had to leave an Appropriations Committee hearing to run to the floor of the Senate in order to arrive in time to be able to speak in support of Senator SCOTT's Republican staffing statement. Only men who care as do my associates and I will get as exercised about this whole problem. The time for action draws ever more close. I hope, Mr. Speaker, that the carefully thought through and positively worded thoughts of HUGH SCOTT, of Pennsylvania, will be noted and acted upon by Congress.

AGRICULTURE AT THE CROSSROADS

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent that the gentleman from Wisconsin [Mr. JOHNSON] may extend his remarks at this point in the RECORD and include extraneous matter and tables.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. JOHNSON of Wisconsin. Mr. Speaker, in testifying before the House Agriculture Committee today, Secretary of Agriculture Orville Freeman presented a fine statement which outlines very clearly the crucial choice that is facing agriculture at the present time. He was discussing the Committee for Economic Development's adaptive program for agriculture, which proposes to dispose of the farm problem over a 5-

year period by ending all agricultural adjustment and price support programs and moving 2 million farmers off the farm and into the cities—already plagued by unemployment.

As Secretary Freeman pointed out, the very fact that the CED proposal has been made emphasizes that American agriculture is at the crossroads. The choice we face is between a sound program for managed abundance or the eventual abandonment of all farm programs.

During the past month, my colleagues and I on the House Agriculture Committee have been hearing some amazing testimony from CED witnesses on their amazing proposal to plow under 2 million of our American farmers. Those of us who have worked for many years on the complex farm situation have had a number of very basic questions to ask the CED witnesses about their proposal.

Since industry and our cities are already troubled by unemployment, where would the 2 million displaced farmers find jobs? In this connection, it is enlightening to note that the increase in unemployment during the 1950's is almost identical in number to the farmers forced off their farms in those years. Would not this mass migration from rural areas spell disaster for Main Street businessmen and the eventual disappearance of our small towns? Would such a program result in a decrease in farm surpluses, or would it simply mean that the remaining farmers would enlarge their farms and their scale of operation in order to make ends meet in the face of the lower farm prices which would be the inevitable result of the discontinuance of all farm programs? Would not such a proposal mark the end of our American tradition of the family-type farm and usher in a system of vertical integration and contract farming, where our farmers would be relegated to the position of hired hands instead of owner managers, as they are now?

Mr. Speaker, the CED witnesses, representing the 200 industrialists and big businessmen who make up the Committee of Economic Development, could not or would not answer these questions. But Secretary Freeman did. He drew a complete, concise, and frightening picture of the plight of American agriculture if the CED proposal were put into effect. His statement is "must" reading for everyone who is interested in economic and social justice for the American family farmer—who has given to this Nation the most efficient and productive agriculture the world has ever seen.

An important point which cannot be overlooked in any serious discussion of the future of American agriculture is the fact that our family farms have supplied many of our governmental, civic and business leaders through the years. The youth raised on a farm or in a rural community learns early the value of diligent labor, responsibility and thrift. Whatever vocation he chooses, these traits stand him in good stead. The Nation will be poorer indeed if we lose the valuable training ground for leaders which is the family farm.

Under leave to extend my remarks, I would like to have Secretary Freeman's statement printed at this point in the RECORD:

STATEMENT OF THE SECRETARY OF AGRICULTURE, ORVILLE L. FREEMAN, ON FARM POLICY PROPOSALS OF THE COMMITTEE FOR ECONOMIC DEVELOPMENT BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

Agriculture is at the crossroads today. I therefore welcome the opportunity to express to this committee the utmost importance—to the American farmer, to the small towns, and small businesses in our rural areas, to the overall economy, and to the well-being of the entire Nation—of recognizing that we must make some tough decisions, and the importance of making the right choice.

The choice we face is between a sound program for managed abundance or the eventual abandonment of all farm programs. The choice, in other words, is between a program embodying the basic principles, though not necessarily all of the details, of the administration's program for agriculture in the 1960's, on the one hand, and, on the other, an end to farm support programs, with some kind of transitional measures such as those proposed by the CED to cushion the shock—to relieve the pain as sedatives are used to alleviate deathbed suffering.

The administration has presented a food and agriculture program for the 1960's that would bring about a sound program of managed abundance. The CED now has performed a real service by presenting a carefully prepared program depiciting the alternate choice of abandonment of farm programs and return to the so-called free market.

In the long run, there is no other basic choice. It is true that temporary measures can be considered and continued. But temporary measures and piecemeal compromises merely postpone the day of decision, and become more unsatisfactory and more costly with each passing year.

It is my best judgment that each delay, each compromise, each attempt to further postpone the choice that we must eventually face, pushes us in the direction of the abandonment of all farm programs and the disastrous consequences that would result.

Therefore, I look at the CED presentation of its 5-year "adaptive" program to end farm programs as a welcome opportunity to study and evaluate its implications and to compare them with the goals set forth in the administration program. Our study of the CED plan indicates how disastrous its consequences would be. While the exact nature and degree of those consequences would vary depending on how well the plan would actually succeed, the following could be expected:

1. A reduction in farm income per farm by an amount ranging from a minimum of 25 percent (a level of $2,500 income per farm) to perhaps as much as 80 percent at the end of 5 years (to $700 per farm). Last year under the administration program, realized net farm income was increased by over $1 billion and per farm income rose 13 percent to the highest on record ($3,360 income per farm).

2. An alteration of the basic character of American agriculture by forces that threaten the extinction of the family farm system.

3. A drastic decline for thousands of small towns, and small business and all economic enterprise in those towns, all over rural America, with resulting disastrous effects on such basic services as education and welfare.

4. A serious burden to the rest of the economy that would result from the forced acceleration of the outmigration from agriculture of millions of farmers—with the attendant transfer of problems of poverty from rural areas to the cities.

5. A waste of natural resources arising out of unwise use of land, instead of the kind of program for the best use of our resources of trees, soil, and water that is contemplated by the administration program.

I should like to discuss in more detail each one of these most probable consequences. But first I would like to review certain basic characteristics of the CED plan.

The CED is in agreement with the administration's position in three respects. Both recognize that farm incomes are too low. Both seek reduced Government costs. Both recognize the need for balance in agricultural production.

The administration proposes Government assistance to gear production to the amount that can be used, with price and income stabilization at fair levels.

The CED proposes an agriculture with no price or income protection, and a forced draft of people out of agriculture impelled by the hardship resulting from a sudden drop of prices to the free-market level.

True, CED proposes to cushion the shock of transition to the free market by a variety of temporary income-protection payments and temporary acreage diversion programs which would come to an end after 5 years. During this period, the transfer of some 2 million farmers to other occupations is an integral part of the CED proposal.

We should note also that the cost to the Government of the CED proposed program in the beginning period would be high—probably higher than Government expenditures on price and income support operations in recent years. By the end of 5 years, the CED report does contemplate substantially lower Government costs, although carrying charges on commodity inventories would remain, since the plan includes no provision for reduction of these inventories. But again, the administration program is also directed toward reduction of Government costs, and would reduce price-support expenditures sharply in 5 years.

While both the CED and administration programs share the key objective of reducing costs, under the CED proposal agricultural would end up with far less total income and substantially less income per farm.

I should like to turn now to the results that could be expected from the CED program to solve the farm problem by doubling the expected exodus from farming, pushing it up to 2 million in the next 5 years, and by the ending of support programs.

But first it is necessary to correct a basic error in the assumptions of the CED program which enables it to project unreasonably favored farm income results. CED assumes that the free market price of corn would be $1 per bushel in the mid-1960's. There are many studies (which CED quotes) which indicate that prices would be about one-fourth lower than that. At the end of the transition period, there would be no acreage diversion programs to hold back the productive capacity of feed grains, there would be heavier feeding of wheat, and there would still be heavy stocks of feed grains available. Under these conditions the equilibrium level for corn would probably be between 70 and 80 cents rather than $1 assumed by CED. By accepting this error, the CED avoids having to face the problem of the excessive production of meat and milk that would inevitably result.

1. FARM INCOME CONSEQUENCES

Of most concern to the farmers is the prospective effect on farm income. Our estimates show that, instead of improving the incomes of farmers, the CED plan would reduce the farm income per farm sharply and disastrously, by some 25 percent in the event that the plan should succeed in forcing

2 million farmers off their farms in 5 years but could result in a drop of up to 80 percent in the event this accelerated outmigration would not be achieved and farmers would leave the farm only at a rate that would total 1 million in 5 years.

The CED hopes for "improving the profits of agriculture" are based on the prospects for dividing a smaller total farm income among fewer farmers. The potential effect on farm income, therefore, would depend on (a) how many farmers were left, (b) how productive the remaining farmers would be, and (c) the income that would result from the level of prices that would prevail at that level of production.

I shall present here, first, our best estimates as to the farm income levels that would result 5 years hence if the CED plan should be successful in moving 2 million farmers out of agriculture. Let me emphasize that we do not believe that such a rate of migration—double the rate of recent years—is either likely or desirable, considering the present softness of the labor market. But, putting this aside for the moment, where might the 2 million farmworkers come from and what levels of income might result for those remaining in agriculture?

We need to keep in mind that it makes a considerable difference from which group of farms the reduction in workers is accomplished. The highly commercial farm group—farms with value of sales of $5,000 and over—represent 39 percent of all farms and account for 87 percent of all products moving to market.

The middle group—value of sales of $2,500 to $5,000—represent 17 percent in number and account for less than 8 percent of farm sales.

The lowest group—value of sales under $2,500—represent 44 percent of all farms but account for only 5 percent of total farm sales.

The average farmworker in the highly commercial farm group produces more than twice as much as the average farmworker in the middle group and more than five times as much as the average worker in the lowest group. It is clear that if the reduction in farmworkers is accomplished largely in the least productive groups, there would be little impact on farm output and no relief from farm surpluses.

Considering historical trends, it seems likely that if 2 million workers could be removed from agriculture over the next 5 years, the impact would be heaviest on the smaller farms. Specifically, this involves the group of farms in the $2,500–$5,000 value of sales class which for all practical purposes would disappear. It also would reduce very substantially the number of farms and workers in the "under $2,500 sales class," although there would still remain a hard core of part-time farmers who continue to derive part of their living from farming and part from outside jobs. The economic class representing sales of $5,000 and over would also be affected. Here there would be fewer farms and workers as well, with those remaining concentrating in the larger economic classes (sales of $10,000 and over). Thus, the reduction in workers would likely come about equally from each of the three economic classes, about 650,000 from each. The number of farms would be reduced from 3.8 million in 1961 to 2.1 million in 1966. The CED presumption that 1.2 million farmworkers would come from the upper economic group appears to be so completely unrealistic that it does not provide any reasonable basis for an estimate of the effect on farm income that would result. The most favorable assumption that we can make is that the plan might succeed in getting 2 million out of farming, about one-third of which would come from each of the three groups.

But even such a large reduction in the farm working force and in the number of farms would not cut farm output. Farm technology moves ahead, and the substitution of capital for labor would be accelerated. The more than 50 million acres that in 1961 were in the conservation reserve or idle under the feed grain program would be back in production. Even with fewer workers and an agriculture reconstructed according to the CED plan, farm output in 1966 would likely be at least 4- or 5-percent larger than in 1961. Considering that our total population would increase about 8 percent, and thus perhaps slightly faster than farm output, the level of farm prices in the free market in 1966 might not be as low as the CED target prices (about 25-percent below 1961), but still some 15- to 20-percent below 1961.

TABLE 1.—*Total net farm income would drop 60 percent under CED plan to move 2,000,000 workers out of agriculture*

[In billions of dollars]

Source	1961 actual	1966 projected	Change
Cash receipts from farm marketings	35.2	30.2	−5.0
Government payments to farmers	1.5		−1.5
Value of food and housing from farm	3.2	2.0	−1.2
Realized gross farm income	39.9	32.2	−7.7
Less production expenses [1]	27.1	27.0	−0.1
Realized net farm income [2]	12.8	5.2	−7.6

[1] There is no allowance in production expenses for return on investment of farm capital.
[2] Total return to farm operators for their capital, labor, and management.

TABLE 2.—*Per farm income in 1961*

Economic class (value of sales)	Number of farms	Number of farm-workers	Estimated average income per farm			
			Cash receipts plus Government payments	Gross farm income	All production expenses [1]	Realized net farm income [2]
	Thousands	*Thousands*				
$5,000 and over	1,550	3,140	$21,000	$22,000	$15,700	$6,300
$2,500 to $4,999	560	670	3,900	4,600	2,300	2,300
Under $2,500	1,700	1,650	1,200	1,900	800	1,100
All classes	3,810	5,460	9,637	10,473	7,113	3,360

[1] There is no allowance in production expenses for return on investment of farm capital.
[2] Total return to farm operators for their capital, labor, and management.

TABLE 3.—*Per farm income would drop 25 percent under the CED proposal* [1]

Economic class (value of sales)	Number of farms	Number of farm-workers	Projected average income per farm			
			Cash receipts	Gross farm income	All production expenses [2]	Realized net farm income [3]
	Thousands	*Thousands*				
$5,000 and over	1,100	2,500	$27,000	$28,000	$24,000	$4,000
$2,500 to $4,999	(4)	(4)				
Under $2,500	1,000	1,000	1,200	1,900	1,050	850
All classes	2,100	3,500	14,400	15,300	12,800	2,500

[1] Farm output up 4 to 5 percent from 1961; prices received by farmers down 15 to 20 percent from 1961; number of farmworkers reduced a total of 2,000,000 from 1961 with reduction of about 650,000 in each economic class.
[2] There is no allowance in production expenses for return on investment of farm capital.
[3] Total return to farm operators for their capital, labor, and management.
[4] Only a very few would remain in this class.

Starting with the 1961 farm income situation as a base, table 1 projects the changes that might occur after 5 years of the CED plan to move 2 million workers out of agriculture.

All categories of gross farm income would show sharp reductions totaling over 7½ billions. Cash receipts from farm marketings would be down because of lower prices. Government payments to farmers would cease. The contribution of food and housing furnished by the farm would be enjoyed by fewer farmers.

But total farm production expenses would not be significantly changed. Feed and livestock purchased would cost less but most other expenses would continue to rise, particularly taxes on real estate, interest charges on farm indebtedness, costs of maintaining and operating equipment, and expenditures for fertilizer. Thus, total realized net farm income would decline from $12.8 billion in 1961 to a little above $5 billion in 1966, a drop of close to 60 percent.

Tables 2 and 3 contrast the per farm income situation before and after CED. Although the number of farms would be reduced by more than 40 percent, the average realized net income per farm would decline from $3,360 in 1961 to $2,500 in 1966, a reduction of about 25 percent. But we should note especially that the reduction for the larger commercial farms—those selling $5,000 and more—is even greater, some 35 percent.

Certainly, the recent level of farm income while showing improvement, is not high. The figure of $12.8 billion realized net farm income in 1961 represents the total return to farm operators for their capital, labor, and management. If an allowance is made for farm invested capital (at 4¾ percent), the return to all farm labor and management in 1961 comes to 99 cents per hour. Although this is a substantial increase from the 83

cents in 1960, it is still less than the minimum wage and far below the average earnings of workers in other segments of the economy.

For 1966, with a level of $5.2 billion farm income, if we were against to make the same allowance for farm invested capital as for 1961, there would be little, if any, return for farm labor and management. To find a comparable situation, we would have to go back some 30 years to the great depression, when the return to all farm labor and management was only about 10 cents per hour.

But farmers would sustain heavy capital losses as well as drastic declines in income under the CED plan. In agriculture today, some $175 billion are invested in productive assets, of which a large part represents farm land. The decline in farm income would undoubtedly set off a sharp drop in land values. The farmer would see the value of his investment in his farm eroding rapidly. To get out of agriculture, he would have to sustain a tremendous financial loss. There would probably be little left to start life anew elsewhere.

The impact of the decline in farm investment values would be felt beyond agriculture. Banks, insurance companies, and other financial institutions which supply large amounts of credit to farmers would find the security of their advances impaired and their financial condition weakened. They might again, as in the early 1930's, find a substantial number of farms in their possession.

The above income results, as I pointed out, would occur only under the most favorable conditions we can expect. But, in evaluating the farm income consequences of the CED plan, we should face up to the real prospect that the exodus from farming over the next 5 years may not achieve the rate prescribed by CED. Most likely the reduction in workers over the next 5 years would be $1 million rather than $2 million, and not much different than the rate prevailing in recent years. Under free market conditions, there would be a further acceleration in farm output—which would outstrip the growth in population.

It is difficult to picture what might be the end result of such a drastic worsening of the farm products supply situation in the "free market." But if only 1 million workers were removed from agriculture instead of 2 million, and if output climbed 15 to 20 percent, the level of farm prices would be forced below the CED target levels, perhaps to 40-percent below the 1961 level. Again in comparison with 1961 farm income:

	Billions
Cash receipts down	$8.8
Government payments to farmers down	1.5
Value of food and housing to somewhat fewer farmers down	.4
Gross farm income down	10.7

Without considering any probable increase in farm production expenses which would likely accompany larger farm output, this leaves only some $2 billion of total net farm income to be shared by about 3 million farmers—an average of $700 at most as compared with the $3,360 per farm in 1961. This could well happen as the consequence of the return to the "free market" under the CED plan. This is nearly an 80-percent drop in income in 5 years. It would be harsh, sharp and irreversible. Our form of agriculture, of which we are justly proud, would be destroyed and no one knows what might emerge from the chaos.

2. THE THREAT TO THE FAMILY FARM SYSTEM

The CED 5-year plan to end farm programs threatens to alter the basic character of American agriculture. The most probable effect on farm income has been noted. Farmers would be left to deal with business firms in other sectors of the economy having monopolistic control over their markets. The result would be a disorganized agriculture where farmers would be exploited by the large firms with whom they dealt in selling their products and buying farm supplies. Even the most efficient family farm would find it difficult to survive this type of economic pressure, and the control of agricultural resources would become increasingly concentrated into the hand of firms outside agriculture.

We already have illustrations of how vertical integration and contract farming take away from the farmer some or all of his managerial independence—even, in some instances, relegating him to little more than a piecework laborer's role. In the broiler industry, for example, the independent farmer cannot compete with the integrated industry because he cannot gain access to improved breeds and strains of poultry stock, he cannot secure financing on equal terms, he cannot keep up with the rate of technological and managerial advance where research information is available only through private channels controlled by the integrators, or where access to markets is controlled by the integrators.

The real threat to the independent family farm is not, in most cases, the giant factory-scale corporation-owned farm employing labor in large crews. Rather, it is through the imposition of a pattern of controls of centralized private authority over the existing family-farming pattern. It is a threat which would impose the domination of a few giant corporations over the farmer's independence as manager and entrepreneur. It is a pattern, the outlines of which are already clear, by which the farmer might remain on the farm, but would take orders from large business enterprise or a specialized management service in respect to what he should plant, when to plant it, how to grow it, from whom to borrow, and how much interest to pay, and to whom and when to sell.

Thus laissez faire could result, in agriculture as it has in other areas, in the development of a system of pricing as well as production that would be administered by a powerful few.

This is the threat to the American family farm—an institution that has given to this Nation the most efficient and productive agriculture the world has ever seen. It has provided consumers with the best food bargain the world has even known.

3. THE THREAT TO SMALL TOWNS, SMALL BUSINESS, AND RURAL AMERICA

The loss of farm purchasing power would bring rapid decay in the rural communities which are built on the foundation of our agricultural industry. Farmers would have $6½ billion less to spend. This would be felt not only in the rural communities where farmers trade but also in the large industrial centers producing the products farmers need for farm production and for a living. The impact would be substantially heavier in the Great Plains, where agricultural income is a substantial part of the total income.

A forced acceleration of this outmigration would have very serious consequences on rural America. The businessmen on Main Street would suffer acutely. All of those in rural towns and villages who provide both professional and public services would likewise suffer. Rural America would be irreparably changed, with its communities crippled, and its institutions damaged.

The CED plan to force human resources out of agriculture takes little account of the basic human factors involved. Their program for special vocational training and education in rural areas is one we can all support. But if this is intended to ease the transition of farmers out of farming, the fact that over two-thirds of the farmers who sell less than $10,000 worth of farm products annually are over 45 years old must be accounted for. These farmers are at an age where vocational training and placement cannot help very much in getting nonfarm jobs in today's competitive market. They are at a time of life where roots are deep in their home communities.

This is in sharp contrast with the administration's program to attack rural poverty by a rural areas development program designed to maximize total economic opportunities in rural areas.

Where the CED program, by its massive shift of labor out of agriculture, would shift a share of the problem of rural poverty from rural to urban areas, and even threaten the very existence of many towns and villages, the administration program would seek to maintain the optimum population in rural areas, to create new enterprises, better community facilities, and better educational and job opportunities.

4. EFFECT ON THE REST OF THE ECONOMY

The entire national economy would feel the effects of the CED program. It has been estimated that for each person producing farm products, it takes more than one person in other industries to supply the farm machinery, fertilizer, transportation, etc., the farmer requires for production. There would be $6½ billion less of farm cash purchasing power. We have seen the impact of the increase in farm income last year in breathing new life into the communities and industries which serve agriculture. The CED program would reverse this process.

Urban America would also feel the definite effects of the additional load of displaced farmers seeking jobs in our cities. This serious burden of adjustment would critically handicap the rest of the economy. Prospects for rate of economic growth sufficient to achieve satisfactory employment levels under normal conditions could be thrown out of balance by this additional load.

5. USE OF LAND RESOURCES

The CED program ignores a basic philosophy of the administration program which emphasizes the wise use of resources. The CED proposes no plan for using our land for recreation or conservation—to provide facilities and services of which there is real scarcity and need. Rather, the CED plan leads to waste and misuse of our natural resources. It would lead to more land being used to produce farm products than is needed. It would ignore the growing demand for recreation, wildlife, and open space in our increasingly urban nation.

Inevitably then, we must come to the conclusion that the CED program cannot accomplish what it sets out to do. It cannot avoid drastic reductions in farm income, even for those that would be left in agriculture, and the pervasive effects of that decline in farm purchasing power on the community at large. It would alter the whole structure of our family-oriented agriculture which has contributed so much to our Nation's economic growth and social progress. It means decay for many of our rural communities. It makes it more difficult for the urban worker looking for a job. It is a long step back away from developing a sensible land use program. It would in fact be a disaster. But it is a good example of the consequences to our agriculture and to our Nation if, at this important crossroads, we should take the wrong turn—the CED road to the "free market."

ADDITIONAL PROGRAM FOR AUGUST 29

Mr. ALBERT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. ALBERT. Mr. Speaker, I take this time to advise that on tomorrow the distinguished gentleman from California [Mr. HOLIFIELD] will ask unanimous consent to send to conference H.R. 11974, which is the conference report on the atomic energy authorization bill. I would like further to advise the Members that a preferential motion to instruct conferees will probably be made at that time.

11 O'CLOCK HOUR OF MEETING ON AUGUST 29

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

Mr. GROSS. Mr. Speaker, reserving the right to object, why do we come in at 11 o'clock tomorrow? Can the gentleman tell me?

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

Mr. GROSS. I yield.

Mr. HALLECK. It just so happens that there are a number of Members on our side who have some engagements tomorrow evening they would like to keep. Since there is no heavy burden of committee business, just as a matter of convenience we thought it might serve the purpose of all concerned if we could meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

CONSENT CALENDAR TO BE CALLED ON TUESDAY, SEPTEMBER 4

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that business in order under the Consent Calendar rule may be transferred from Monday next until Tuesday next.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

THE LATE HONORABLE JOE L. SMITH

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. STAGGERS. Mr. Speaker, I join with my West Virginia colleagues and other Members of Congress who recall the years that the late former Congressman Joe L. Smith, Sr., added his stature, leadership, and wisdom to the formation and success of legislation in this historical Chamber.

Although his membership in Congress was prior to my coming to Congress I, nevertheless, knew him well and had great admiration for his leadership and warm personality. His friendship has enriched my life; which friendship is now being continued by his well-known sons.

As a Member of Congress, Joe L. Smith achieved an outstanding record, serving the State of West Virginia and this Nation with enduring works, always alert to the needs of future generations.

Mr. Joe L. began his career of service to the State of West Virginia as a printer's devil and through diligence and perseverence advanced to his distinction by becoming the editor and publisher of the Register, Beckley, W. Va.

After 20 years in the newspaper business, which he did not entirely desert, he devoted his time to many other interests which included president of the Beckley National Bank, a position he held until his death.

In his early political career he served as mayor of Beckley and later as State senator from the Seventh District. He came to Congress in 1929 and served eight terms.

He married Christine Carlson of Annapolis, Md., in 1914, who survives him along with two sons—Joe L. Smith, Jr., Beckley radio station owner, and State commerce commissioner, Hulett C. Smith.

It is indeed with sincere admiration that I review this great man's record. It is with deepest understanding that I extend heartfelt sympathy to Mrs. Joe L. Smith, Sr., and her distinguished sons.

THE ROLE OF THE PRESIDENT AND OF THE HOUSE IN FOREIGN AFFAIRS

The SPEAKER. Under the previous order of the House the gentleman from Ohio [Mr. Bow] is recognized for 60 minutes.

Mr. BOW. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. BOW. Mr. Speaker, during the recent debate in the House of Representatives on the authorizing of some $4.6 billion in foreign aid, the gentleman from Minnesota [Mr. JUDD] made the following statement regarding the role of the President in foreign affairs:

> We have only one President at a time, and our Constitution puts direction of our foreign relations in his hands. It seems to me we would run the danger of injuring our own interests if we should take such drastic action as to allow no escape clause or discretion for the President of the United States to use in the exercise of the responsibility with which he is charged by the Constitution in the field of foreign relations (CONGRESSIONAL RECORD, July 11, p. 13153).

The point of issue was the striking of an amendment authorizing President Kennedy to give financial assistance to Communist Yugoslavia and Poland when he deemed such an act in the "vital interest" of U.S. security. Certain Members of Congress—on both sides of the aisle—questioned whether Congress constitutionally could give the President such power. I asked specifically if Congress were abdicating its constitutional prerogatives in the matter, since under the Constitution Congress alone appropriates the public money and prescribes the terms and conditions under which the funds may be expended. To this point Mr. JUDD replied:

> The gentleman from Ohio [Mr. Bow] has stated that Congress has the power under the Constitution to say what the moneys it appropriates may or may not be used for. There is no question about that. Nobody disputes its power or right to refuse to provide money to support the foreign policy of our country or to support our Armed Forces, or even to pay our own salaries. But under the Constitution, it is not our function to command the Armed Forces * * * the President is the representative of the American people in the conduct of our foreign affairs—within such guidelines as the Congress may establish (CONGRESSIONAL RECORD, July 12, 1962, p. 13410).

Was the gentleman correct in speaking of Presidential discretion as a "responsibility with which he is charged by the Constitution in the field of foreign relations"? Is it true that in the matter of distributing public money "our Constitution puts direction of—such—foreign relations in his hands"? What are the Presidential powers in foreign affairs? Indeed, is the matter of aid to Marshal Tito's Communist regime one to be handled only by Presidential discretion?

HOW THE FOUNDING FATHERS FELT

It is clear that many of the men who assembled in Philadelphia in 1787 to frame a constitution for the newly independent colonies favored an executive with limited powers. Madison notes in his journal of Friday, June 1, 1787 that one of the delegates, Mr. Sherman, echoed the feelings of others present when he said that he considered the executive office as nothing more than an institution for carrying into effect the will of the legislature. Sherman went so far as to say that the executive ought to be appointed by the legislature and accountable to that body since Congress would be the depository of the supreme will of the society. Sherman considered the legislators as the best judges of the business which ought to be done by the executive department. Madison notes that another delegate, Mr. Wilson of Pennsylvania, considered the execution of the laws and the appointing of officers the only strictly executive functions.

These comments proved typical of the sentiment evoked by Charles Pinckney's preliminary plan for executive powers introduced before the delegates only 3 days before, on Tuesday, May 29:

> He shall receive public ministers from foreign nations; and may correspond with the executives of the different States. He shall have power to grant pardons and reprieves except in impeachments. He shall be Commander in Chief of the Army and Navy of the United States and of the militia of the several States.

Opinion was so divided and strong over the powers of the executive branch that the Convention resolved on July 23, 1787, to refer to a committee the drafting of a report of the powers of the executive conformable to the major resolutions already passed by the Convention. The committee, composed of Nathaniel Gorham, of Massachusetts; James Wilson, of

Pennsylvania; Edmund Randolph, of Virginia; John Rutledge, of South Carolina; and Oliver Ellsworth, of Connecticut; was thus justified to enumerate a more complete definition of the powers of the future President. The only powers thus far conferred by the Convention had been the veto, appointment—but not of judges—and the execution of laws. Madison's original idea had been to leave the unenumerated powers to the will of the legislature as expressed through legislative enactments. Now the committee faced a question of enormous importance: Shall control of the military and foreign relations be left with one executive? Should the powers be enumerated?

Of the 12 listed powers of the executive only the 10th in the draft of the proposal which Randolph drew up was connected with foreign relations: "receiving ambassadors." Up to this point, the Convention, as far as the records show, gave the subject of international affairs no attention. The only recorded reference to this area of potential executive action had been in the provisions of a sketch Alexander Hamilton had drawn up whereby treaties would be made and ambassador named by the executive with the advice and consent of the Senate.

One member of the committee, Ellsworth, was decidedly for a strong, independent head of government. Rutledge and Randolph favored a weak Chief of State. Randolph regarded foreign affairs essentially as a matter to be decided by the legislature as a body or by the Senate alone.

Randolph's original proposals were amended so that the committee later gave the power "to be Commander in Chief of the land and naval power of the Union and of the Militia of the Several States." Changes were also made in the direction of making the Senate the sole organ of foreign affairs. Finally, Wilson drew on Randolph's amended draft, Charles Pinckney's plan of May 29, and certain provisions of the New York constitution to draft a final plan of executive powers. No other powers relating to foreign affairs were added. The chief feature of the Wilson plan was the independent possession by the executive department of its powers by direct grant of the people. Unfortunately, there is no indication or evidence in the records whether Wilson intended the enumerated powers to be an exhaustive description of that general executive power which the President held as the executor of the Nation's laws. The construction of many State constitutions of the time already realized the importance of unenumerated executive power for more responsive, flexible leadership.

On August 20, 1787, Gouverneur Morris, of Pennsylvania, and Charles Pinckney submitted a plan before the delegates for the complete constitutional organization of the executive department of the National Government. There were to be five departments of the executive branch, each headed by a secretary. Together with the Chief Justice they were to be a council of state to assist the President in conducting public affairs. This plan confirms the fact that the delegates generally regarded the President as a sort of chief administrator. This belief is reinforced by the fact that the duties of these heads of department were enumerated, the secretary of each department responsible to the President. The Secretary of Foreign Affairs had for his functions: "to correspond with all foreign ministers, prepare plans for treaties, and consider such as may be transmitted from abroad, and generally to attend to the interests of the United States in their connection with foreign powers."

Those duties for which the subordinate secretaries became responsible became an integral part of the Presidential power. The recognition that the President, although granted little real power—except as Commander in Chief—in the Constitution in the field of foreign affairs, was generally taken by the Founding Fathers as the single constitutional representative of the people in this area can be seen in the terms of the Foreign Department bill; the sole purpose of the Foreign Department was to carry out the will of the President. Only the Treasury Department was created solely to carry out the acts of Congress. As one political scientist has put it:

> Where by the terms of the Constitution, the National Government is vested with control over a certain sphere of action, that portion of the field's is the President's which is executive in character. Thus the Constitution makes the National Government the sole organ in foreign affairs. Since many powers are not enumerated, they are the President's as of constitutional right, being of an executive character (Charles Thatch, "The Creation of the Presidency, 1775–89," Baltimore, 1922).

Today the President undoubtedly acts more arbitrarily and independently than the framers of the Constitution ever intended him to act. Custom, law, court decisions, and the practice of foreign nations have placed the President in a prominent position in the formation and execution of foreign policy. Certainly secrecy, unity of operation, continuity, and access to information are characteristics of his office. These necessary elements are peculiar to the President. Congress, by nature, possess none of them. It was felt by one of the most articulate delegates at the Convention that even the Senate could not properly deal with international relations:

> To have entrusted the power of making treaties to the Senate alone, would have been to relinquish the benefits of the constitutional agency of the President in the conduct of foreign relations (Alexander Hamilton, "The Federalist," LXXV).

This same intellectual forcefully explained the few enumerated powers directly granted to the President in the Constitution by describing the important implications of a broad interpretation of executive power:

> The enumeration (of executive powers in the Constitution) ought therefore to be considered as intended merely to specify the principal articles in the definition of executive power, having the rest to flow from the general grant of that power, interpreted in conformity with other parts of the Constitution, and with the principles of free government.

> The general doctrine of our Constitution, then, is that the executive power of the Nation is rested in the President, subject only to the exceptions and qualifications which are expressed in the instrument. (Alexander Hamilton in the Philadelphia Gazette, June 29, 1793.)

Jefferson himself referred to the transaction of business with foreign nations as "executive altogether" and John Marshall declared in the House of Representatives on March 7, 1800, that "the President is the sole organ of the Nation in its external relations, and its sole representative with foreign nations." The Senate itself early enough recognized that all powers claimed by the President in the field of foreign affairs not specifically named in the Constitution must nevertheless be considered as emanating from the Constitution:

> The President is the constitutional representative of the United States with regard to foreign nations. For his conduct he is responsible to the Constitution. (S. Doc. No. 231, 56th Cong., 2d sess.)

Thus aside from the chief provisions of the Constitution relating to foreign affairs—

> The President shall be Commander in Chief of the Army and Navy of the United States * * *. He shall have power, by and with the advice and consent of the Senate, to make treaties, provided two-thirds of the Senators present concur * * * appoint ambassadors, other public ministers and consuls * * * receive ambassadors and other public ministers—

Presidential power in this area has grown chiefly from necessity and the demands of executive leadership in a field requiring secrecy and unity of command.

But the nature of foreign affairs and the characteristics of the executive office which fit the President to the task are merely one side of the coin. On the other side is the rightful role of Congress in foreign relations, and in a rather ironic sense, the part played by the Appropriations Committee. Congress and the President were bound to cross swords early over the financial support of foreign policy flowing from the executive office, and interestingly, even though Congress historically has followed Presidential recommendations for appropriations for crucial policies, the House of Representatives has made clear its rightful, constitutional position with reference to money matters. When a bill was introduced into the House for appropriations for the Jay Treaty during Washington's administration, opposition developed and the view was quickly advanced that the House really was free to grant or withhold the required funds on its own view of the merits of the treaty. A majority of the House sanctioned this position, even though the appropriations were finally granted. But to the authorization was attached the following resolution:

> When a treaty stipulates regulations on any of the subjects submitted by the Constitution to the power of Congress, it must depend, for its execution, as to such stipulations, on a law or laws to be passed by Congress. And it is the constitutional right and duty of the House of Representatives, in all such cases, to deliberate on the expediency

or inexpediency of carrying such treaty into effect, and to determine and act thereon, as, in their judgment, may be most conducive to the public good.

In the matter of the Jay Treaty, the House was not constitutionally bound to appropriate the necessary funds. In voting the money to carry out the treaty, however, the House certainly was exercising its part of the "whole legislative power" and had, accordingly, its right to exercise its full constitutional discretion in the matter.—Noted by Edward S. Corbin in "The President's Control of Foreign Relations," Cambridge, 1917.

If the Jay Treaty established congressional opinion regarding the appropriation of money, it also fixed the Presidential prerogative of wide discretion in foreign affairs. When the House of Representatives asked George Washington to lay before it the instructions, correspondence, and documents relating to the treaty he said:

The nature of foreign negotiations requires caution, and their success must often depend on secrecy, and even when brought to a conclusion, a full disclosure of all the measures, demands, or eventual concessions which may have been proposed or contemplated would be extremely impolitic, for this might have a pernicious influence on future negotiations or produce immediate inconveniences, perhaps danger and mischief, in relation to other powers.

Thus at the same time both congressional rights with respect to appropriations and the Presidential power of single command in foreign affairs was fixed. Even the modern notion of foreign policy decisions in the vital interests of U.S. security find precedent in the first important foreign policy legislation in his country: the Embargo Act of 1794 authorized the President to lay the embargo "whenever, in his opinion, the public safety shall so require," and "to continue or revoke the same whenever he shall think proper." By the more recent lend-lease proposal, action could have been taken when the President deemed it "in the interest of national defence," and the benefits of the statute were extended to "the government of any country whose defence the President—deemed—vital to the defence of the United States."

We now see that the volatile question of wide discretionary powers available to the President is one founded on precedents set by the first Executive of the United States, agreed to by both Houses of the National Legislature, and followed up by later Presidents and Congresses. Perhaps the wording of an 1860 court decision defines even today the peculiar position which the President occupies:

As the Executive head of the Nation, the President is made the only legitimate organ of the General Government to open or carry on correspondence or negotiations with foreign nations in matters concerning the interests of the country or of its citizens (*Durand* v. *Holland*, 8 Fed. Cas. No. 4186).

The Supreme Court in 1936 officially awarded to the President legal claim in the exercising of discretionary powers as sole organ of the Federal Government in the field of foreign affairs. In the important Curtiss-Wright case, the Court recognized this power as exclusive and plenary—a power in international relations which "does not require as a basis for its exercise an act of Congress."

The decision in the Curtiss-Wright case sustained the constitutionality of a joint resolution of Congress of 1934 authorizing the President to forbid the sale of arms to the participants in the Chaco dispute between Bolivia and Paraguay "if the President finds that the prohibition may contribute to the reestablishment of peace between those countries."

The Curtiss-Wright Export Co. was charged with having violated the resolution by selling machineguns to Bolivia. A demurrer to indictment was filed on the ground that the resolution was unconstitutional, as it amounted to an unconstitutional delegation of legislative power to the President. The demurrer was sustained in a district court but was reversed in the Supreme Court.

Justice Sutherland in his opinion for the Court seemed in effect to withdraw virtually all constitutional limitation upon the scope of congressional delegation of power to the President to act in the field of international relations. Sutherland's reasoning in the case rested on what he named as the difference between the powers of the Federal Government with respect to foreign and external affairs and those having to do with internal or domestic affairs. The difference, according to Sutherland related both to origin and nature. He wrote as follows:

The very delicate, plenary, and exclusive power of the President as the sole organ of the Federal Government in the field of international relations—a power which does not require as a basis for its exercise an act of Congress, but which, of course, like every other governmental power, must be exercised in subordination to the applicable provisions of the Constitution. It is quite apparent that if, in the maintenance of our international relations embarrassment is to be avoided and success for our aims achieved, congressional legislation which is to be made effective through negotiation and inquiry within the international field must often accord to the President a degree of discretion and freedom from statutory restriction which would not be admissible were domestic affairs alone involved * * * he, not Congress, has the better opportunity of knowing the conditions which prevail in foreign countries. He has the confidential sources of information. He has his agents in the form of diplomatic, consular, and other officials. Secrecy in respect of information gathered by them may be highly necessary and the premature disclosure of it productive of harmful results. * * * Powers of external sovereignty of the Federal Government, including the power to declare war and conclude peace, to make treaties and maintain diplomatic relations, are not dependent on affirmative grants of the Constitution.

I will cite additional references at the conclusion of these remarks.

APPROPRIATIONS

It has long been recognized by Presidents, Members of Congress, and political scientists that the appropriating of public money often has a far greater impact on the formation of foreign policy than the substantive decisions coming from the White House. The House is at liberty to insert provisos or instructions in appropriations bills which have the effect of determining or modifying policy. Of course, Congress may withhold funds altogether and thus completely cancel an executive policy. To the extent that funds are withheld or the terms and conditions set for the expenditure of Treasury money, Congress may prescribe its own policy. But this is as it should be. According to the Constitution, article I, section 9, clause 7:

No money shall be drawn from the Treasury but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditure of public money shall be published from time to time.

That Congress may check the desire of the President to give Communist Yugoslavia further financial assistance is clearly drawn from the provisions of the Constitution. Indeed, perhaps Mr. Kennedy should possess wide discretion in the matter of deciding what is in the vital interest of national security. The wisdom of possessing such power apparently goes unchallenged. But in the matter of spending public money Congress alone may declare for what purpose the funds may be used, the terms of expenditure, and the conditions under which the taxpayers' dollars may be sent overseas. The Constitution grants this power directly. An important court decision of 1945 confirms Congress unique position. During the Second World War certain subcontractors sought action in the courts for a declaratory judgment that the Renegotiation Act (50 U.S.C.A. App. sec. 1191) was unconstitutional and therefore did not authorize the War Department to recapture alleged excessive profits. The court said the action presented no justiciable controversy because Congress, in making an appropriation, has the power not only to designate the purpose of an appropriation, but also the conditions under which an executive department of the Government could expend the appropriation.

The purpose of appropriations, and terms and conditions under which they are made, is a matter solely in the hands of Congress, and it is the explicit duty of the executive branch to comply therewith, and any attempt by the judicial branch to interfere therewith would be a plain invasion of the constitutional powers of Congress. (*Spaulding* v. *Douglass Aircraft Co.*, D.C. Cal., 60 F. Supp. 985).

I will append further references regarding legal interpretations of the appropriating power at the conclusion of my remarks.

To return to the statements of Representative JUDD, we may now say that the gentleman was incorrect when he said the Constitution itself puts direction of our foreign affairs in the hands of the President. Mr. Kennedy is not charged specifically by the Constitution to wield broad discretionary power in dealing with foreign countries. The position of the President has evolved as a result of the recognition that the administration and conduct of foreign affairs was executive by nature and that the executive department of the Government dealing in international relations should be subject to the will of the President.

Now Mr. JUDD was correct when he said that Congress may establish the

guidelines for conducting foreign relations, specifically with regard to authorizing public money earmarked for the foreign aid program. Perhaps Mr. JUDD did not realize that he left himself open to attack on this point, for while he argued that Congress should allow the President a free hand in determining what was in the interests of our security, he presented the argument in terms of the appropriating power of the House. And Mr. JUDD admitted in the same breath "that Congress has the power under the Constitution to say what the moneys it appropriates may or may not be used for." To speak of Presidential discretion in the conduct of relations with Communist Yugoslavia is one thing; to speak of financial assistance to a Communist regime drawn from the taxes of the American people under the guise of Presidential discretion is quite another matter, especially so since an appropriation is nothing more than the legislative authorization prescribed by the Constitution that money may be paid out of the Treasury. And all legislative powers shall be vested in a Congress of the United States.

Perhaps Herbert Hoover has stated the question well. In an address in West Branch, Iowa, on his 80th birthday, August 10, 1954, he said:

> The real issue is whether the President can commit the American people to foreign nations without the specific consent of the elected Representatives of the people.

Mr. Speaker, I am indebted to Dale E. Hoak, a senior student at the College of Wooster, Wooster, Ohio, for much of the research that has gone into these remarks. Mr. Hoak served as an intern on my staff during the summer months, and I enjoyed thoroughly the association with this bright young student of history and political science.

In addition to the references I have given during my remarks, I include additional decisions and facts on each of the separate topics I have covered. They are as follows:

DELEGATION OF LEGISLATIVE POWER

In general: "The Congress manifestly is not permitted to abidicate, or to transfer to others, the essential legislative functions with which it is thus vested. Undoubtedly legislation must often be adapted to complex conditions involving a host of details with which the National Legislature cannot deal directly. The Constitution has never been regarded as denying to the Congress the necessary resources of flexibility and practicality, which will enable it to perform its function in laying down policies and establising standards, while leaving to selected instrumentalities the making of subordinate rules within prescribed limits and the determination of facts to which the policy declared by the legislation is to apply."—*Panama Refining Co.* v. *Ryan,* 293 U.S. 388 (1935).

Legislative action laying down an intelligible principle to which a person or body is to conform does not constitute a forbidden delegation of power.—*Hampton & Co.* v. *United States,* 276 U.S. 394 (1928).

Congress may also, in enacting legislation, provide either that its operation shall be suspended or that it shall go into effect, upon the occurrence of certain events, the existence of which shall be ascertained and declared by administrative officers.—*Hampton & Co.* v. *United States.*

DELEGATION OF LEGISLATIVE POWER TO EXECUTIVE OFFICERS AND AGENCIES

Generally, "the field of Congress involves all and many varieties of legislative action, and Congress has found it frequently necessary to use officers of the executive branch, within defined limits, to secure the exact effect intended by its acts of legislation, by vesting discretion in such officers to make public regulations in interpreting a statute and directing the details of its execution."—*Hampton & Co.* v. *United States.*

"That the legislative power of Congress cannot be delegated, is, of course, clear. But Congress may declare its will, and after fixing a primary standard, devolved upon administrative officers the 'power to fill up the details' by prescribing administrative rules and regulations."—*United States* v. *Shreveport Grain & El. Co.,* 287 U.S. 77 (1932).

"The true distinction, therefore, is between the power to make the law, which necessarily involves a discretion as to what it shall be, and conferring an authority or discretion as to its execution, to be exercised under and in pursuance of the law."—Judge Ranney, in Cincinnati, *W. & Z. R. Co.* v. *Commissioners of Clinton County,* 1 Ohio State 77 (1852), cited with approval in *Marshall Field & Co.* v. *Clark,* 143 U.S. 649 (1892).

The power which may thus be delegated to administrative officers, is strictly limited to administrative regulations, and does not extend to regulations actually subverting or modifying the terms of an act of Congress.—*Morril* v. *Jones,* 106 U.S. 466 (1883); *United States* v. *Antikamnia Co.,* 231 U.S. 654 (1914).

DELEGATION OF POWERS TO THE PRESIDENT

In deciding whether Congress has abdicated its essential legislative functions and delegated them to the Executive, and in determining whether the grant of power amounts to "unfettered discretion" or actually lays down an intelligible standard, due regard must be had as to the nature of the power granted. If it relates solely to internal or domestic affairs, an act may be challenged as constituting an unlawful delegation of legislative power while similar language used in an act relating to external or foreign affairs may be upheld. In the realm of foreign affairs the President possesses a delicate, plenary, and exclusive power as the sole organ of the Federal Government in the field of international relations, a power which does not require as a basis for its exercise an act of Congress. The President, rather than Congress, has the better opportunity of knowing the conditions which prevail in foreign countries. These considerations disclose the unwisdom of requiring Congress to lay down narrowly definite standards by which the President is to be governed in the field of international relations. Broad discretion may be vested in the President in determining whether the enforcement of an embargo or neutrality statute will have a beneficial effect upon the reestablishment of peace, in deciding whether he shall invoke its provisions, in determining when it shall cease to operate, or in prescribing limitations and exceptions to its enforcement—*United States* v. *Curtiss-Wright Export Corp.,* 229 U.S. 304 (1936).

In view of the delicacy of foreign relations and of the power peculiar to the President in this regard, Congressional legislation which is to be made effective in the international field must often accord to him a degree of discretion and freedom which would not be admissible were domestic affairs alone involved—*United States* v. *Curtiss-Wright Export Corp.*

POWER OF CONGRESS REGARDING APPROPRIATIONS

The absolute control of the moneys of the United States is in Congress, and Congress is responsible for its exercise of this great power only to the people. This clause is a mere limitation and restriction (art. I, sec. 9, cl. 7) upon the executive officers of the Treasury Department, and does not prevent Congress, the lawmaking power, from involving the Government in liabilities to pay money to any extent, nor from indicating the class of persons who shall not be paid out of the general appropriations, but shall come to Congress for relief.—Hart's case, 16 Ct. Cl. 495 (1880), affirmed *Hart* v. *U.S.,* 118 U.S. 62 (1886).

Having power under section 8 of article I to lay and collect taxes, duties, imposts, and excises, to pay the debts of the United States, it follows that Congress has power when the money is raised to appropriate it to the same object.—*United States* v. *Realty Co.,* 163 U.S. 427 (1896).

The necessary implications from the terms of the grant (the power to appropriate) is that the public funds may be appropriated "to provide for the general welfare of the United States." These words cannot be meaningless, else they would not have been used. The conclusion must be that they were intended to limit and define the granted power to raise and expend money.

Since the foundation of the Nation, sharp differences have arisen as to the true interpretation of the phrase. Madison asserted that it amounted to no more than a reference to the other powers enumerated in the other clauses (subsequent clauses) of the same section; that, as the United States is a Government of limited and enumerated powers, the grant of power to tax and spend for the general national welfare must be confined to the enumerated legislative fields committed to the Congress. Hamilton, on the other hand, maintained that the clause confers a separate power distinct from those later enumerated, is not restricted in meaning by the grant of them and Congress consequently has a substantive power to tax and to appropriate, limited only by the requirement that it shall be exercised to provide for the general welfare of the United States. Mr. Justice Story in his commentaries, espouses the Hamiltonian position. It results that the power of Congress to authorize expenditure of public money for public purposes is not limited by the direct grants of legislative power found in the Constitution—*United States* v. *Butler,* 297 U.S. 1 (1936).

Congress may recognize and pay a claim of an equitable, moral, or honorable nature and whether the facts are such as to authorize relief is for Congress alone to determine, and where Congress directs a specific sum to be paid to a certain person, neither the Secretary of the Treasury nor any court has discretion to determine whether the person is entitled to receive it.—*United States* v. *Price,* 116 U.S. 43 (1885); *U.S.* v. *Realty Co.; Allen* v. *Smith,* 173 U.S. 389 (1899).

FACTS ON YUGOSLAVIA

1. Since the inception of our foreign aid program we have been pouring financial assistance into the country of Yugoslavia at the rate of $415,000 per day. Our total bill to Tito's Communist regime has been $2,279 million in the last 15 years. Similarly, since the Poznan riots in Poland in 1956 our aid to that Communist country has totaled more than $1 billion. For a number of years our military assistance program operated at the rate of $100 million per annum in Poland. Yugoslavia has received $800 million in military assistance since 1949 from the United States.

2. The following table gives the value of U.S. imports and exports in trade with Yugoslavia:

	Millions
Exports:	
1948	$8
1961	153
Imports:	
1948	5
1961	40

Yugoslav imports by area of origin (values in millions of dollars):

U.S.S.R.:	
1956	70.5
1961	32.0
United States:	
1956	129.2
1961	181.2

On May 23, 1962, the Soviet Union announced that it will buy Yugoslav ships. The steel for these ships will be made in mills built by American tax money.

In the last 2 years Yugoslavia has supported the Soviet Union in the United Nations 44 times, the United States, 6 times.

Tito endorsed suppression of the Hungarian revolution.

As an independent, Tito has led a drive among the neutrals in Asia and Africa for anti-Western feeling. At the Belgrade Conference in August 1960 resolution after resolution was voted against the West.

Yugoslavia is spending hundreds of millions of dollars in its own foreign aid program in Asia and Africa. In effect we have been underwriting anti-Western neutralism in India, Burma, and Indonesia.

In the recent May Day parade in Yugoslavia, Soviet tanks were seen in the procession. Tito now is negotiating for planes from Khrushchev.

Tito has denounced the Balkan Alliance.

Tito's so-called economic liberalisms went out the window. From the New York Times of May 7: "Citing too much liberalism and too little control as causes of the trouble, Tito said under his leadership the Communist Party again is assuming the leading role. Declared Tito, 'Some will say the Communists have taken everything in their hands again, but we know what has to be done and what the people want.'"

THE 18-NATION DISARMAMENT CONFERENCE

The SPEAKER. Under the previous order of the House the gentleman from New Jersey [Mr. RODINO] is recognized for 30 minutes.

Mr. RODINO. Mr. Speaker, at the 18-Nation Disarmament Conference in Geneva the United States yesterday formally submitted two draft treaties on the cessation of nuclear weapons tests. One draft treaty would be a comprehensive ban on all nuclear tests in all environments and the other would prohibit nuclear tests in the atmosphere, outer space, and underwater. This I believe is a significant event in the history of our disarmament and test ban negotiations. I have just returned from Geneva where for the past week I have been attending the 18-Nation Disarmament Conference.

As one of the sponsors of the legislation which created the U.S. Arms Control and Disarmament Agency I have had a continuing interest in the activities of the Agency over the past year and in the conduct of the negotiations at Geneva by our delegation, ably led by Ambassador Arthur H. Dean. Therefore, on the occasion of my return from Geneva I would like to give my colleagues in the Congress the benefit of some of my thinking on U.S. disarmament policy. These opinions are based primarily on my recent experiences at sessions of the Conference, meetings of our delegation staff, and numerous conversations with Ambassador Dean, other members of the U.S. delegation, and members of the delegations of the other nations represented at the Conference.

First, I would like to make my own position clear. The U.S. Government must never let the fact that we are negotiating with the Soviets obscure the fact that our Soviet colleagues at the conference table are at the same time our adversaries in the cold war. On many occasions since the end of World War II this cold war has been prevented from turning hot only by the deterrent to overt aggression which this Nation possesses in its strategic nuclear armaments. Moreover, in the conduct of the cold war the Communists have not hesitated to use any means to achieve their objectives short of large scale aggression which might provoke a nuclear response. This had included such well-known tactics as indirect aggression and subversion, the use of "volunteers" and support for "wars of national liberation." Therefore, I believe that we must keep our guard up against all types of Communist aggression, direct or indirect, and we must negotiate with the Soviet Union and its Warsaw Pact allies from a position of strength.

But in these circumstances of the cold war, the question also arises, why negotiate at all? Are we not merely whistling in the dark in Geneva?

On the basis of my experience at Geneva, I am convinced that our delegation there is engaged in a serious and sincere endeavor to negotiate with the Soviet Union and the other Warsaw Pact powers with a view to reaching agreements on a number of meaningful arms control and disarmament measures. The proposals put forward by Ambassador Dean have first received the careful consideration and approval of the U.S. Arms Control and Disarmament Agency, Department of State, Department of Defense, Atomic Energy Commission, and other interested agencies and persons within the executive branch, and finally the President himself. In addition, proper consultation has occurred between the executive branch and appropriate committees of the Congress. I am sure that every major proposal our delegation has tabled at the Geneva Disarmament Conference has been presented with the idea that it would be in the interest of the United States to have it accepted. Therefore, Ambassador Dean and the U.S. delegation are engaged in much more than a propaganda exercise at Geneva. It is a sincere effort to halt the arms race.

Secondly, all our disarmament proposals contain the safeguards necessary to assure the United States and its allies in the free world that if we are to agree to stop nuclear tests or reduce our armaments the other side will in like manner carry out its obligations. One of the basic principles of our negotiations at Geneva is that all measures of disarmament must be carried out under effective international inspection and control. I can also assure you that every member of our negotiating team in Geneva is acutely aware of the national security interests of the United States. Another of the basic negotiating principles is that the carrying out of any disarmament measure must not affect adversely the security of any nation. Both these principles are embodied in the joint statement of agreed principles agreed to by Mr. McCloy for the United States and Mr. Zorin for the Soviet Union. This statement forms the agreed basis of our negotiations in the 18-Nation Disarmament Committee.

But the question remains—what positive value do these negotiations have? More broadly it might be asked, why should we have a disarmament policy at all?

I think there are several reasons why it is important and indeed essential that we continue in our efforts to reach agreement with the Soviet Union both on a broad plan for disarmament and on work-limited measures.

First, it is in our national interest to do so. I do not believe that the almost $54 billion which this Congress has been asked to appropriate for the fiscal year 1963 will give any of us the feeling that we are secure. As President Kennedy rightly stated before the General Assembly of the United Nations on September 25, 1961 "in a spiraling arms race a nation's security may well be shrinking even as its arms increase."

It seems to me that what could contribute to our national security in a very meaningful sense would be a halt to the arms race and a consequent lessening of international tension. For in the present stage of technological development the weapons themselves are a source of tension.

I do not believe that the $5.6 billion which will be spent next year on research and development of new and improved weapons systems will decrease our anxiety about what will happen if some of these weapons are ever used. Turning the upward spiral of the arms race downward is exactly what our disarmament policy is designed to accomplish, and this is the objective of our negotiations at Geneva.

Secondly, I believe that the negotiations are not only in our national interest, but also are directly in our international interests. As leader of the free world, the United States could not avoid bearing a major share of the responsibility for the global devastation that would result from a general conflict between ourselves and the Soviet Union. Moreover, the overall foreign policy goal of the United States has been succinctly stated as "a free, secure and peaceful world of independent States adhering to common standards of justice and international conduct and subjecting the use of force to the rule of law."

Therefore, it is essential, in the interests of the entire free world that we continue to negotiate at Geneva, and it is likewise essential that we negotiate from a sound and strong position. On the basis of my experience at Geneva, I am happy to report that this is what we are doing.

I also feel that there is a degree of urgency in our negotiations. Neither East nor West has an unlimited amount of time. The arms race between the United States and the Soviet Union is on the verge of extending itself into outer space. At the same time the danger that nuclear weapons will be obtained by a substantial number of nations not now

possessing them is increasing every year. With every new member that joins the nuclear club the danger that a local conflict will escalate into a general nuclear war increases. Similarly, the danger that war will occur by accident, miscalculation or failure of communications increases as nuclear weapons fall into the hands of politically less responsible governments.

It is against the background of an arms race, pushing into outer space and spreading among many nations that the United States and its allies should negotiate with the Soviet Union and its allies.

The overall objective of our disarmament policy is "general and complete disarmament in a peaceful world." The phrase "in a peaceful world" is not without significance in this context. I have been informed by a member of our delegation at Geneva that the Soviet Union has opposed the use of the phrase "in a peaceful world" in connection with "general and complete disarmament." But this phrase, which is stoutly insisted upon by the United States, symbolizes one of the basic premises of our disarmament policy. This principle is that the United States will not agree to reduce armaments unless effective alternative ways to safeguard its legitimate interests are provided. As national armaments are scaled down effective means for the peaceful settlement of international disputes and for the bringing about of necessary change in a peaceful world must be built up. In short, we must be assured that a disarmed world will be a peaceful world.

It is obvious to all of us that this ultimate objective of general and complete disarmament in a peaceful world is still out of sight over the horizon.

But I believe that it is important that we continue to negotiate toward this ultimate objective. The U.S. position is soundly based on the "Outline of Basic Provisions of a Treaty on General and Complete Disarmament in a Peaceful World," which was submitted by Ambassador Dean to the Disarmament Committee on April 18, 1962. This document contains the most detailed and comprehensive set of disarmament proposals ever developed by any nation. It has been characterized by President Kennedy as a "blueprint for the peace race."

The U.S. position on general disarmament has been skillfully presented and elaborated at the Conference by Ambassador Dean and the U.S. delegation. At the same time the position of the Soviet Union has been subjected to critical analysis. The result has been that the eight new members of the committee which were chosen to represent geographical areas not included in the NATO or the Warsaw Pact have become convinced of the reasonableness and sincerity of our balanced across-the-board and safeguarded approach to the reduction of armaments.

The opportunity provided by the Conference for carrying on a continuous debate has also worked to our advantage. The usefulness of polemics and propaganda have become negligible. In these circumstances Ambassador Dean has been able to gradually draw the Soviet Union into a discussion in considerable detail of many of the issues at the heart of the disarmament problem. This discussion in depth will, I believe, bear fruit, perhaps not immediately, but in the future. It has given the United States a better understanding of both the military strategy and the foreign policy objectives of the Soviet Union. It has also provided an opportunity to probe for partial measures of arms control and disarmament on which agreement in the near future may be possible.

In addition to negotiating toward comprehensive disarmament, there are also a number of more limited objectives on which, I believe, the United States can and should continue to seek agreement with the Soviet bloc. Any of these limited measures are capable of implementation either now or in the near future. This would, I believe, contribute both to turning down the arms spiral and to decreasing international tensions.

First, is stopping nuclear weapons tests. One of the meetings of the Conference which I attended while at Geneva was devoted exclusively to a discussion of this question. Feeling is high among all the nations at the Conference that agreement is closer on a nuclear test ban treaty than any other measure. The delegations of the eight new members of the committee have stated for the record that the cessation of nuclear tests would be a welcome and important first step to agreement on wider disarmament measures.

When I was at Geneva the new proposals of the United States for a comprehensive treaty which would prohibit all nuclear tests in all environments had just been presented. I have personally discussed these proposals and the scientific data upon which they are based with Ambassador Dean and Mr. Adrian Fisher, Deputy Director of the Arms Control and Disarmament Agency, who was also in Geneva at the time of my visit.

I believe that the present U.S. position on a comprehensive treaty which would ban underground nuclear tests as well as those in other environments is soundly based on the evaluation of scientific data. These proposals are based on two principles: First, the necessity of obligatory onsite inspections in order to determine whether an unidentified seismic event is an earthquake or an underground nuclear explosion; and second, the necessity of a system of nationally manned but internationally supervised control posts which would provide a detection capability consonant with our national security requirements.

These new proposals are sound conclusions drawn from the new scientific data that has resulted from the Project VELA, the U.S. program on detection and identification of underground nuclear explosions. If our new proposal for a comprehensive treaty banning nuclear tests did in fact jeopardize our national security as some have charged, I am sure that I would not have heard the Soviet delegate, Deputy Foreign Minister Kuznetsov, so promptly reject the principle of obligatory onsite inspection as "espionage."

Since my return, as I have said earlier, the United States has submitted the text of a comprehensive treaty in draft form, banning all nuclear tests, and also proposed a treaty banning nuclear tests in the atmosphere, underwater, and outer space. These are the environments in which we can detect all significant Soviet tests on the basis of our presently existing national system of detection and identification.

The reasons for our proposing such an atmospheric ban are, I believe, sound. Our policy still favors halting all nuclear tests in all environments, subject to effective international control. But at the same time it would be in the interests of the United States to conclude a nuclear cease-fire on those types of tests which can be detected and identified with existing national means. We in the United States have only recently been given fresh evidence of the dangers of fallout. When our farmers are prevented from using their own pastures to feed their own livestock, the time has long since arrived to stop polluting the atmosphere.

Other constructive steps toward bringing the arms race under control can, I believe, be taken in the area of preventing the further spread of nuclear weapons to nations not now having them and also in the area of reduction of the risk of war by accident, miscalculation, or failure of communications. The United States and the Soviet Union share a common interest in preventing the transfer of nuclear weapons to states which do not at present have them. All nations have an interest in the avoidance of war being caused by accident or miscalculation or simply a failure of communication.

The 18-Nation Disarmament Committee provides a good forum for discussion of these subjects. Both measures to present the further spread of nuclear weapons and measures to reduce the risk of accidental war are presently on the agenda of the Committee of the Whole of the Conference. Because of the substantial area of common interest which the United States shares with the Soviet Union in both these areas, I believe that concrete progress is possible in the near future. Therefore, I hope and urge that our Government continue in its efforts to reach agreement with the Soviet Union on both these important subjects.

United States disarmament policy touches some of the most sensitive issues of both our national security and our foreign policy. I have stated my conviction that effectively verified disarmament measures will increase our national security.

Disarmament will also assist, and may be essential to, the achievement of a peaceful world of free and independent states. Finally, I believe that a representative democracy such as the United States is much better equipped than the closed society of the Soviet Union to compete for the minds of men when force is no longer available as a means of projecting national power.

INCREASING DANGER OF RADIOACTIVE FALLOUT DEMANDS IMMEDIATE FEDERAL ACTION

The SPEAKER. Under the previous order of the House the gentleman from New York [Mr. HALPERN] is recognized for 30 minutes.

Mr. HALPERN. Mr. Speaker, it has been just a little less than a year since the Soviet Union resumed nuclear testing—ending a 3-year moratorium. Since that time, our own country has been forced to follow suit and we now see an exchange and counterexchange of nuclear blasts, each "bigger and better" than the last.

Is it any wonder that there is dawning in all of us a sickening, frightening fear of the menace of radiation? How much more of this can we take?

We have heard much in past months about the dangers of radioactive fallout, about the contamination of milk and the consequent dangers to our young people. We have learned a glossary of fear—words such as "maximum permissible" or "radiation protection guide" or "strontium 90" or "iodine 131." We have learned of "rems"—the measurement of the biological effects of radiation. We hear of other terms and realize how thoroughly uninformed we are. This glossary is so complicated and confusing that one of the pressing needs is a full-scale clarification of scientific terms. Here is a specific function of public information that should have been fulfilled long before this. I point to it as a typical example of the neglect of the present system to keep the public fully informed of the facts and of the need for a complete revamping of the present structure.

Suddenly it has occurred to many of us that no one really knows just exactly what constitutes a hazardous condition. We are not sure that what may be a "maximum permissible dose" for any one year might not reap irreparable harm if continued over a period of years.

In recent years evidence has been accumulating which casts doubt on the assumption it is possible to determine a safe dose—if by safe dose one means a dose which, even used as a protection standard for a large population, will produce no harm in any individual. The deeper one goes into the problems of establishing permissible levels in a given set of circumstances, and of applying them in normal and emergency situations, the more difficult it is to emerge with clear, direct, and generally applicable standards.

However, some tested reliable standard is desperately needed to determine at what level of concentration of fallout consideration should be given to protective countermeasures to protect the health of our people.

Mr. Speaker, we have been getting little if any cooperation from the Government sources who are responsible for this. Perhaps the fault is lack of clear-cut responsibility. Perhaps the fault is general abhorrence and avoidance of the problem, thereby causing a critical lack of responsibility on all levels. The people of this country have a right—indeed, a real necessity—to be told the truth about the dangers of radioactivity.

Of course, the ultimate answer is total nuclear disarmament. This, without question, should be our No. 1 goal. Commendably, in September of last year, this Congress in its wisdom set up the Disarmament Agency. As one of the original sponsors of this legislation, I have watched with close attention the progress being made. I realize that we cannot expect miracles in the short space of 10 or 11 months and I believe that the Agency is now properly oriented and will take great strides toward accomplishing the miracle of disarmament. The increase in the Agency's funds granted by Congress is encouraging. Its recent accelerated activities are heartening.

We hope and pray for the sake of mankind that agreements can be speedily reached, but we are now impaled on a two-horned dilemma that must be resolved. First, we cannot sit back and wait for the Soviets to relax their position and as long as agreements cannot be reached we are faced with the tragic problem of keeping pace or even surpassing the Communists.

And, meanwhile, we are facing an increasingly crucial problem regarding nuclear fallout. It becomes even more serious and frightening because we are unsure exactly what we face—exactly what the effects of this increased radioactivity will be on future generations.

Mr. Speaker, as one example of the critical problem of fallout, let us consider the contamination of milk by strontium 90 or radioactive iodine. Milk is a major dietary element and the principal source of dietary calcium for the most susceptible population group, infants and children. In this connection, I am pleased that the Public Health Service is undertaking extensive research at Beltsville, Md., with a view to solving the problem of decontamination of milk.

In New York at the Brooklyn Polytechnic Institute I have learned Dr. Harry P. Gregor has recently also successfully perfected a method of decontamination. These are hopeful advances and should be encouraged and expanded through broad Federal programs of aid to spur public and private research efforts.

The Public Health Service announced on May 24, 1962, that field reports received from its radiation surveillance networks showed that increased amounts of radioactive iodine appeared in pasteurized milk samples from a number of States located mostly in the midcontinent of the United States. In several major cities, exposure to radioactivity has built up to a point near the so-called permissible level under current radiation guides. Unfortunately, however, radiation does not fall in averages, either geographical averages or time averages. As a matter of fact in a 2-day period last year during nuclear testing in Nevada, a thunderstorm struck Troy, N.Y., dumping radioactive fallout which almost reached the danger level.

The problem of contamination in no way should be construed as an indication that the public should stop drinking milk, but it does indicate that there is an urgent need for the Federal Government to increase research in this most important matter to find more specific answers to the question of what is a "maximum permissible dose" so that countermeasures may be taken to adequately protect our population.

In testimony before the Joint Congressional Atomic Energy Subcommittee on June 7, 1962, Dr. Russell H. Morgan, professor of radiology and radiological science at Johns Hopkins University, warned that nuclear tests in the atmosphere might require the United States to remove contaminated milk from children's diets. Dr. Morgan, who also is Chairman of the Public Health Service's National Advisory Committee on Radiation, was particularly concerned about iodine 131, a shortlived radioactive isotope produced by nuclear explosions.

At this point, Mr. Speaker, I wish to insert the remarks of Dr. Lytt I. Gardner, professor of pediatrics, State University of New York, Upstate Medical Center, Syracuse. Dr. Gardner is also president-elect of the Society of Pediatric Research. I believe the doctor points out all too well the dangers of fallacious thinking and reporting:

> In my opinion the April 1962 report of the academy's committee on environmental hazards entitled "Hazards of Radioactive Fallout" convey a complacency concerning the dangers of radioactive fallout which is unwarranted by the facts. The committee's report states that: "The present level of 131 concentration in foods, liquids, and atmosphere is also well below the levels at which alerting of the population is required by governmental standards which are very conservative." This statement is misleading, since the half-life of 131 is only 8 days, and the report was written in January 1962, long after the Russian tests in the fall of 1961. One would not therefore expect increased environmental 131 on January 22–23, 1962. Furthermore, the very nature of the 131 hazard requires that plans for prophylactic measures be made in advance of a given test series.
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> The academy committee's report also states that: "The present strontium 90 content of milk is less than that which is believed to be capable of inducing recognizable deleterious effects in infant, child, or adult during average lifetimes." This statement suggests that there is a threshold for the harmful effects of radiation. The Federal Radiation Council has rejected the threshold concept, stating in their report No. 1, May 1960: "Any radiation exposure of the population involves some risk, the magnitude of which increases with the exposure."
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> Perhaps the most disappointing part of the academy committee's report is the section on genetic effects, which states: "The very careful and exhaustive studies carried out by the Atomic Bomb Casualty Commission on the populations of Hiroshima and Nagasaki in Japan have thus far failed to detect any genetic effects which could be attributed to radiation exposure from the bomb explosions." This statement is in direct disagreement with a report supported by the ABCC (Schull and Neel, Science 126: 343, 1958): "An analysis of new data concerning the sex of children born to the survivors of the atomic bombings of Hiroshima and Nagasaki, together with a reanalysis of the data previously presented by Neel and Schull, reveals significant changes in the sex ratio of these children, changes in the direction to be expected if exposure had resulted in the induction of sex-linked lethal mutations."

From previous experimental results with mutations produced by irradiation, this is about the only observable genetic effect that would be expected in the first generation children born of adults exposed to radiation from the bomb explosion. Indeed, since most mutations are recessives and therefore not easily detected, one would predict that the full genetic effects of radiation from Hiroshima-Nagasaki would not become noticeable for several generations. Eventually inbreeding would produce individuals homozygous for the radiation-produced recessive traits and thus clinically visible genetic disease would uncover itself.

A new test series is nearly upon us. It is to be hoped that the pediatricians of America can offer positive informed programs of action to the families under their care. Oral, nonradioactive iodide was used to reduce the thyroid uptake of iodine 131 in St. Louis children during the fall, 1961 Russian tests. This seems to be a reasonable approach, with a sound chemical rationale. In the summer of 1961 the strontium 90 content of infant diets was three times greater in New York than in California. Attempts urgently need to be made to provide supplies of low strontium 90 milk for use by pregnant women, babies, and adolescents, since new bone is being laid down in these groups. Present supplies of dried and canned milk offer a temporary answer, but for the future, if testing continues, some way of reducing strontium 90 intake must be found.

Mr. Speaker, the problem is obvious—and critical. Dr. Morgan's testimony also yielded the information that iodine 131 tends to concentrate in the thyroid gland of milk drinkers and may induce cancer in children after a lapse of years if absorbed into the body in sufficient quantity. Subsequent newspaper reports in the Washington Post said that a panel of experts doubted that radioactive iodine in present fallout causes cancer, but they pointed out that at high-dose levels, the thyroids of infants and children may be somewhat more susceptible to cancer-causing radiation than the thyroids of adults. And, again, we have the probem of determining just exactly what is high-level dosage.

Because of these potentially fearful consequences, there are several countermeasures under consideration, including the placing of all young children as well as pregnant and nursing mothers, on evaporated or powdered dry skim milk diets. Because it takes 2 months for processed milk to reach the consumer, almost all the original harmful radioactive iodine should have disappeared.

Other countermeasures that should be studied are removal of iodine 131 from milk, feeding cows on uncontaminated feed and medical administration of stable iodine.

For thyroid exposure the maximum safe annual dose should not exceed 1.5 rem for an individual and the average should not exceed 0.5 rem a year, according to competent authority. Last fall, during and following the intensive Soviet test series, there was an abrupt rise in the level of iodine 131 in milk. The Public Health Service estimates that between last September and January the average radiation dose of 0.16 rem was received by children in this country.

Unfortunately, although radioactivity in milk is a matter which warrants prime concern and calls for prompt effective action, the Federal Radiation Council has not yet developed a policy on the applicability of its guides to fallout or on when countermeasures should be invoked.

The New York Times, also on June 10, 1962, reported that "after 2 years of off-and-on consideration, the Council has yet to work out a policy for countermeasures against accidental release of radiation from a peaceful atomic operation."

The Times report went on to state that even if a policy were set on when countermeasures should be invoked, it is still not clear who would order the steps and who would see that they are carried out. Substantiating this contention was the testimony of Surgeon General Luther L. Terry before the Joint Congressional Atomic Energy subcommittee who said he was not sure what legal authority was possessed by the Public Health Service to carry out any countermeasure against fallout contamination.

As indicated by Dr. Terry, the expectation is that the Public Health Service would provide advice and that the actual countermeasures would be carried out by the State health agencies. Presumably the Food and Drug Administration would have authority to deal with radioactive contaminated milk traveling across State lines. But this leaves unsettled who would have the responsibility for ordering countermeasures. As Dr. Morgan testified:

It has not been clearly established who in Government is responsible for the initiation of countermeasures when they are needed. It is important that responsibility for countermeasure application be well defined. If one is well prepared to face a radiocontamination incident, regardless of causes, public concern over the hazards of ionizing radiation may be expected to diminish substantially.

The Surgeon General's testimony points up the woeful gap in coordination and direction in one of the most vital areas of national responsibility.

Mr. Speaker, this Congress is in effect largely responsible for this shocking lack of coordination and direction. We have the ultimate control over these agencies and I believe that we should—we must—see to it that steps are taken to specifically define authority and strategy in such event.

We would be appalled if we were to learn that the Joint Chiefs of Staff do not know who is responsible for the various segments of national defense. We should be similarly appalled to learn of the lack of direction and authority in our protective measures against fallout.

Since we as a nation spend more than $50 billion annually for defense, it would seem reasonable that we should be doing everything in our power to find the means to protect the citizens of the Nation from the hazards of radioactive fallout.

Mr. Speaker, there is no question but that the entire spectrum of this problem must be reappraised and that bold and visionary Federal programs must be initiated. In addition, there are several existing programs which could be immediately utilized—including research, the opening of certain Federal programs to include steps taken to prevent contamination, and such. I salute, for example, the amendment added by the distinguished Senator from Wisconsin, WILLIAM E. PROXMIRE, to the farm bill. Under the Senator's amendment, the livestock feed program for drought and similarly distressed areas would be made available in cases of fallout. I believe this is a constructive and sensible approach. I also feel that this provision should be considered by Congress as a separate bill, such as I am offering, rather than involving it in the complexities of the omnibus farm bill.

The problem of radioactive fallout is clearly a Federal responsibility. It calls for bold national leadership by both Congress and the Executive and for immediate action to provide all of our people with the facts they desperately need and the tools with which to defend themselves. It calls for a broad program of Federal aid, of effective coordination and direction and greatly expanded research.

Mr. Speaker, this is perhaps the most important duty we owe to our people and to the future of mankind. We cannot afford to delay any longer.

LEAVE OF ABSENCE

By unanimous consent leave of absence was granted to:

Mr. INOUYE, for an indefinite period of time, on account of official business in Hawaii.

Mr. MACDONALD (at the request of Mr. HULL), until further notice, on account of illness in family.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mr. DORN and to include extraneous matter.

Mr. TEAGUE of Texas (at the request of Mr. ALBERT) and to include extraneous matter in connection with the action taken on the bill H.R. 10743.

Mr. MARTIN of Massachusetts.

Mr. PHILBIN.

Mr. HOLIFIELD and to include extraneous matter.

Mr. COHELAN.

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

Mr. THOMAS.

Mrs. BLITCH.

Mr. KITCHIN.

Mr. RIVERS of South Carolina and include extraneous matter, notwithstanding it exceeds the limit and is estimated by the Public Printer to cost $202.50.

ENROLLED BILLS SIGNED

Mr. BURLESON, 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. 3801. An act to authorize the Secretary of the Army and the Secretary of Agriculture to make joint investigations and surveys of watershed areas for flood prevention or the conservation, development, utilization, and disposal of water, and for flood control and allied purposes, and to prepare joint reports on such investigations and surveys for submission to the Congress, and for other purposes; and

H.R. 7638. An act for the relief of Kim Hyung In Comstock.

SENATE ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The SPEAKER announced his signature to enrolled bills and a joint resolution of the Senate of the following titles:

S. 1606. An act to authorize the Federal Power Commission to exempt small hydroelectric projects from certain of the licensing provisions of the Federal Power Act;

S. 3574. An act to extend the International Wheat Agreement Act of 1949; and

S.J. Res. 29. Joint resolution proposing an amendment to the Constitution of the United States relating to the qualifications of electors.

BILLS PRESENTED TO THE PRESIDENT

Mr. BURLESON, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H.R. 1458. An act for the relief of Lee Duck On;

H.R. 2446. An act to provide that hydraulic brake fluid sold or shipped in commerce for use in motor vehicles shall meet certain specifications prescribed by the Secretary of Commerce;

H.R. 5604. An act to amend the acts of May 21, 1926, and January 25, 1927, relating to the construction of certain bridges across the Delaware River, so as to authorize the use of certain funds acquired by the owners of such bridges for purposes not directly related to the maintenance and operation of such bridges and their approaches;

H.R. 6984. An act to provide for a method of payment of indirect costs of research and development contracted by the Federal Government at universities, colleges, and other educational institutions;

H.R. 7736. An act to amend the act of May 13, 1960 (Private Law 86–286);

H.R. 8730. An act for the relief of Sister Mary Alphonsa (Elena Bruno) and Sister Mary Attilia (Filipa Todaro);

H.R. 9915. An act for the relief of Umberto Brezza;

H.R. 10263. An act to authorize the Secretary of the Air Force to adjust the legislative jurisdiction exercised by the United States over lands within Eglin Air Force Base, Fla.;

H.R. 10825. An act to repeal the act of August 4, 1959 (73 Stat. 280);

H.R. 11040. An act to provide for the establishment, ownership, operation, and regulation of a commercial communications satellite system, and for other purposes;

H.R. 11251. An act to authorize the Secretary of the Army to relinquish to the State of New Jersey jurisdiction over any lands within the Fort Hancock Military Reservation;

H.R. 11310. An act to amend section 3515 of the Revised Statutes to eliminate tin in the alloy of the 1-cent piece;

H.R. 11721. An act to authorize the payment of the balance of awards for war damage compensation made by the Philippine War Damage Commission under the terms of the Philippine Rehabilitation Act of April 30, 1946, and to authorize the appropriation of $73 million for that purpose; and

H.R. 12081. An act to authorize the Secretary of the Army to convey certain land and easement interests at Hunter-Liggett Military Reservation for construction of the San Antonio Dam and Reservoir project in exchange for other property;

ADJOURNMENT

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

The motion was agreed to; accordingly (at 5 o'clock and 25 minutes p.m.), under its previous order, the House adjourned until tomorrow, Wednesday, August 29, 1962, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

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

2462. A letter from the Administrator, Veterans' Administration, relative to reporting seven violations of overobligations or overexpenditures of amounts permitted by agency regulations, pursuant to section 3679 of the Revised Statutes, as amended (31 U.S.C. 665(i)(2); to the Committee on Appropriations.

2463. A letter from the General Counsel, Department of Defense, transmitting a draft of a proposed bill entitled "A bill to exempt certain Reserve officers of the Army or Air Force from the dual compensation restrictions of the Economy Act of June 30, 1962, as amended"; to the Committee on Armed Services.

2464. A letter from the Director, U.S. Information Agency, transmitting the U.S. Information Agency's 18th Semiannual Report for the period January 1 to June 30, 1962, pursuant to Public Law 402, 80th Congress; to the Committee on Foreign Affairs.

2465. A letter from the Deputy General Manager, U.S. Atomic Energy Commission, transmitting the Annual Report of the U.S. Atomic Energy Commission concerning claims paid under the Federal Tort Claims Act for the period July 1, 1961 to June 30, 1962, pursuant to section 2673, title 28, United States Code; to the Committee on the Judiciary.

2466. A communication from the President of the United States, transmitting proposed supplemental appropriations for the fiscal year 1963 in the amount of $73,560,000 for the Foreign Claims Settlement Commission (H. Doc. No. 535); to the Committee on Appropriations and ordered to be printed.

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. HARRIS: Committee on Interstate and Foreign Commerce. A report pertaining to a study of mutual funds; without amendment (Rept. No. 2274). Referred to the Committee of the Whole House on the State of the Union.

Mr. FORRESTER: Committee on the Judiciary. House Joint Resolution 730. Joint resolution to authorize the President to proclaim May 15 of each year as Peace Officers Memorial Day and the calendar week of each year during which such May 15 occurs as Police Week; without amendment (Rept. No. 2275). Referred to the House Calendar.

Mr. FORRESTER: Committee on the Judiciary. H.R. 12451. A bill to authorize reimbursement to appropriations of the U.S. Secret Service of moneys expended for the purchase of counterfeits; without amendment (Rept. No. 2276). Referred to the Committee of the Whole House on the State of the Union.

Mr. FORRESTER: Committee on the Judiciary. Senate Joint Resolution 60. Joint resolution to establish the sesquicentennial commission for the celebration of the Battle of New Orleans, to authorize the Secretary of the Interior to acquire certain property within Chalmette National Historical Park, and for other purposes; with amendment (Rept. No. 2277). Referred to the Committee of the Whole House on the State of the Union.

Mr. SMITH of Virginia: Committee on Rules. House Resolution 743. Resolution to authorize the Committee on Un-American Activities to conduct an investigation and study of the society known as the Nation of Islam (also known as the Black Muslims); with amendment (Rept. No. 2282). Referred to the House Calendar.

Mr. SMITH of Virginia: Committee on Rules. House Resolution 772. Resolution providing that H.R. 12391 shall be taken from the Speaker's table and sent to conference; without amendment (Rept. No. 2283). Referred to the House Calendar.

Mr. PHILBIN: Committee on Armed Services. S. 2421. An act to provide for retrocession of legislative jurisdiction over U.S. Naval Supply Depot Clearfield, Ogden, Utah; without amendment (Rept. No. 2290). Referred to the Committee of the Whole House on the State of the Union.

Mr. CELLER: Committee of conference. S. 167. An act to authorize the Attorney General to compel the production of documentary evidence required in civil investigations for the enforcement of the antitrust laws, and for other purposes (Rept. No. 2291). Ordered to be printed.

Mr. RIVERS of South Carolina: Committee on Armed Services. S. 3221. An act to provide for the exchange of certain lands in Puerto Rico; without amendment (Rept. No. 2292). Referred to the Committee of the Whole House on the State of the Union.

Mr. STRATTON: Committee on Armed Services. S. 3628. An act to amend title 10, United States Code, to authorize the appointment of citizens or nationals of the United States from American Samoa, Guam, or the Virgin Islands to the U.S. Military Academy, the U.S. Naval Academy, and the U.S. Air Force Academy; without amendment (Rept. No. 2293). Referred to the Committee of the Whole House on the State of the Union.

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. LANE: Committee on the Judiciary. H.R. 4034. A bill for the relief of Lt. Comdr. David V. Kyrklund; with amendment (Rept. No. 2278). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. H.R. 10199. A bill for the relief of Lester A. Kocher; without amendment (Rept. No. 2279). Referred to the Committee of the Whole House.

Mr. MACGREGOR: Committee on the Judiciary. H.R. 12313. A bill for the relief of Jane Froman, Gypsy Markoff, and Jean Rosen; with amendment (Rept. No. 2280). Referred to the Committee of the Whole House.

Mr. LANE: Committee on the Judiciary. H.R. 11059. A bill relating to the effective date of the qualification of Bricklayers Local 45 (Buffalo, N.Y.) pension fund as a qualified trust under section 401(a) of the Internal Revenue Code of 1954; without amendment (Rept. No. 2281). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. S. 3026. An act for the relief of Jeno Nagy; with amendment (Rept. No. 2284). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 9578. A bill for the relief of Annie Yasuko Bower; without amendment (Rept. No. 2285). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. H.R. 10605. A bill for the relief of Joan Rosa Orr; with amendment (Rept. No. 2286). Referred to the Committee of the Whole House.

Mr. POFF: Committee on the Judiciary. H.R. 2806. A bill for the relief of Vagharshag O. Danielian; with amendment (Rept. No. 2287). Referred to the Committee of the Whole House.

Mr. CHELF: Committee on the Judiciary. H.R. 10881. A bill for the relief of Maj. Singh Sunga; without amendment (Rept. No. 2288). Referred to the Committee of the Whole House.

Mr. PHILBIN: Committee on Armed Services. S. 1108. An act authorizing the conveyance of certain property in the city of San Diego to the regents of the University of California; without amendment (Rept. No. 2289). 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. FLOOD:

H.R. 12995. A bill to incorporate the Navy Mothers' Clubs of America; to the Committee on the Judiciary.

By Mr. HALPERN:

H.R. 12996. A bill to establish a National Advisory Commission on Interstate Crime; to the Committee on the Judiciary.

By Mrs. HANSEN:

H.R. 12997. A bill to exclude cargo which is lumber from conference agreements under the Shipping Act, 1916, and from certain tariff filing requirements under such act; to to the Committee on Merchant Marine and Fisheries.

By Mr. KING of Utah:

H.R. 12998. A bill to amend the Small Reclamation Projects Act of 1956; to the Committee on Interior and Insular Affairs.

By Mr. MOELLER:

H.R. 12999. A bill to designate the Belleville locks and dam on the Ohio River near Belleville, W. Va., as the Reedsville-Belleville locks and dam; to the Committee on Public Works.

By Mr. PRICE:

H.R. 13000. A bill to provide assistance to certain States bordering the Mississippi River in the construction of the Great River Road; to the Committee on Public Works.

By Mr. COLLIER:

H.R. 13001. A bill to provide for the establishment of a permanent commission on aircraft noise abatement problems; to the Committee on Interstate and Foreign Commerce.

By Mr. SHEPPARD:

H.R. 13002. A bill to amend the act of August 9, 1955, for the purpose of including the Fort Mojave Indian Reservation among reservations excepted from the 25-year lease limitations; to the Committee on Interior and Insular Affairs.

By Mr. CANNON:

H.J. Res. 864. Joint resolution making continuing appropriations for the fiscal year 1963, and for other purposes; to the Committee on Appropriations.

By Mr. KEARNS:

H.J. Res. 865. Joint resolution requiring a public hearing before any theater in the District of Columbia which is suitable, and has been used, for the presentation of live drama, ballet, or opera productions, may be demolished; to the Committee on the District of Columbia.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BAILEY:

H.R. 13003. A bill for the relief of Mrs. Anka Mesic; to the Committee on the Judiciary.

By Mr. KYL:

H.R. 13004. A bill for the relief of Georgios V. Christakos (Hristakos); to the Committee on the Judiciary.

By Mr. ROBERTS of Alabama:

H.R. 13005. A bill for the relief of Joannis Dounis; to the Committee on the Judiciary.

By Mrs. ST. GEORGE:

H.R. 13006. A bill for the relief of Demir Alp Barker, Mufide Barker, Ali Halim Barker and Zubeyde Nermin Barker; to the Committee on the Judiciary.

By Mrs. BOLTON:

H.J. Res. 866. Joint resolution declaring Sir Winston Churchill to be an honorary citizen of the United States of America; to the Committee on the Judiciary.

By Mr. COLMER:

H.J. Res. 867. Joint resolution authorizing the President of the United States to issue a proclamation declaring Sir Winston Churchill to be an honorary citizen of the United States of America; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII,

406. The SPEAKER presented a petition of Mrs. Wolcott Paige Hayes, vice president, La Jolla Republican Women's Club Federation, La Jolla, Calif., petitioning consideration of their resolution with reference to emphatically protesting the recent action of the President of the United States in allowing the bestowal of the Legion of Merit on Gen. Minoru Genda in Tokyo, Japan, by Gen. Lyman Lemnitzer, Chairman of the Joint Chiefs of Staff, which was referred to the Committee on Armed Services.

EXTENSIONS OF REMARKS

American Wool Month Observance

EXTENSION OF REMARKS

OF

HON. JOSEPH W. MARTIN, JR.

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. MARTIN of Massachusetts. Mr. Speaker, American Wool Month will be observed in September, a month which is the forerunner of colder weather and the winter season, and when the thoughts of our people are directed to wearing apparel which is appropriate to the colder months. This is inevitably associated with wool products and wool manufacturing.

This observance serves to remind us that wool processing is among the oldest of American industries, even predating the Revolution. Sheep were included among the necessities brought to the New World by its first settlers.

It is well known that American-made woolen fabrics are truly prestige quality products and that the industry plays an important and an essential role in the Nation's economy.

As a Representative of New England, I have a special interest in the success, the prosperity, and the survival of this great American industry. More than 50 percent of all woolens and worsteds made in the United States are manufactured in New England. The textile industry ranks first in the region's manufacturing industries, employing about 200,000 workers, and it is vital to the economy of New England that this employment be maintained or expanded.

The present volume of business in the domestic industry does not mean that its operations are profitable. Prices are driven down by the intense competition of low-wage countries abroad.

The new duty rate of 38 percent ad valorem instituted last year is not an effective control over excessive imports. Moreover, it applies only to woven cloths and does not include wool tops, yarn, knit goods, and apparel.

The industry seeks relief through mandatory quotas on imports. This is urgent and essential if this great industry is to survive and provide needed jobs for thousands of people. I hope the administration will act promptly to control these massive imports which threaten to ruin the American wool industry.

It needs protection to survive. It should be given promptly and effectively.

A Statement to the People of the Eighth Congressional District of Georgia

EXTENSION OF REMARKS

OF

HON. IRIS FAIRCLOTH BLITCH

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mrs. BLITCH. Mr. Speaker, following is a statement released by me today to my constituents in the Eighth Congressional District of Georgia:

It had not been my intention, nor do I propose to do so now, to inject myself into the primary election of September 12 in which a candidate will be elected to succeed me as the Representative to the United

States Congress from the Eighth District of Georgia.

However, a situation of which I have just become aware has arisen, and I feel it imperative that I make it known to the people of the Eighth District. To fail to do so would be contrary to the straightforwardness with which I have always conducted the affairs of our district.

I have felt, and I have so stated many times, that the people should be free to make their choice for Representative without my interference in anyway. I also made this crystal clear to the members of my staff and all of them abided by my instructions except one. This person asked for leave of absence so that he could actively campaign for a certain candidate in order to insure himself of a job. I refused his request, stating that I did not blame him for wanting to try to get a job, but to be completely fair to the other candidates and most especially to the taxpayers, it would be necessary for him to resign.

After several months he did resign and I accepted his resignation. A few days after he resigned copies of correspondence with the candidate he is helping came into my possession. I was shocked to learn that he had been using his knowledge of my friendships with many people and also knowledge of my office to the political benefit of the candidate he had chosen to work for while he was still employed by me. This in spite of the fact that he had gone out of his way to assure me that he had done absolutely nothing except to discuss with the candidate the fact that he would get a job if he decided to help him.

I require many things of the people who work for me but, above all else, I require loyalty. And I give loyalty in return. Needless to say, I am shocked and grieved to learn that this employee has betrayed my trust. I am doubly hurt by the fact that the taxpayers have also been betrayed for it is they who have paid his salary.

I still do not attempt to tell the people how to vote for a Representative in Congress but because of the above-stated circumstances, I feel that I must tell you that nobody speaks for me, just as no one has ever spoken for me since you entrusted me with the highest office it is in your power as a group to give. I consider your trust in me to be sacred, and I deeply regret that even one member of my staff could betray you.

A Statement of Position on Senate Joint Resolution 29 and H.R. 11040

EXTENSION OF REMARKS

OF

HON. A. PAUL KITCHIN

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. KITCHIN. Mr. Speaker, on yesterday, August 27, 1962, when Senate Joint Resolution 29, "qualifications of electors" amendment to the Constitution, was brought on the floor for consideration, I was necessarily absent in my district and could not attend the House session. Mr. Speaker, if I could have possibly been here on yesterday when the vote was taken on this constitutional amendment, I would have voted "no." My vote in the negative would have been based not only upon my belief that those States who now require a poll tax as one of the qualifications to vote in a general election should retain that prerogative, but I would also have objected on the basis of approving an amendment to the Constitution of the United States under a suspension of the rules which only allows 20 minutes debate on each side of the issue.

Mr. Speaker, my great State of North Carolina has long since eliminated the poll tax requirement for citizens to exercise their vote and if I had been in the State legislature when this matter was considered, I would have voted to do away with the poll tax requirement as a qualification to vote in North Carolina. I would still desire to see the States that now have such a requirement to eliminate it on their own volition. I do not feel it is the prerogative of the Federal Government to dictate to the four or five States their constitutional right to establish voter qualifications.

Mr. Speaker, I offer this statement for the RECORD to show the position that I would have taken had it been possible for me to have been present when the vote was taken on Senate Joint Resolution 29.

Mr. Speaker, in connection with H.R. 11040, on the Communications Satellite Act of 1962, had I been present and voting my vote would have been in the affirmative in concurring in the Senate amendments and passing it.

Oveta Culp Hobby

EXTENSION OF REMARKS

OF

HON. ALBERT THOMAS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. THOMAS. Mr. Speaker, following are the remarks which appeared in the spring 1951 issue of Dixie Business magazine. I am taking the liberty of adding to the remarks of that publication. The last two paragraphs are my own.

OVETA CULP HOBBY

Oveta Culp Hobby is America's foremost woman.

She and Gov. W. P. Hobby, who was named in 1950 to the South's Hall of Fame for the Living, make up the outstanding husband and wife newspaper publishing team and the Hobbys of Texas have distinguished themselves in various fields of service even more than publishing the great Houston Post.

First woman to serve as president (1949) and chairman (1950) of the Southern Newspaper Publishers Association; only woman appointed by Gen. Dwight D. Eisenhower to the National Policy Board of the American Assembly; wartime head of the WAC's with rank of colonel of the Army; she has been awarded the Distinguished Service Medal and Philippine Military Merit Medal and accorded honors without number.

She was parliamentarian, Texas House of Representatives (1925–31); and on the Houston Post has been research editor (1931–32); book editor (1933–36); assistant editor (1936–38), and is now director and executive vice president.

It would take many pages to list all the organizations and movements she has been a leader in—press, cancer, community chest, education, government, safety, National Conference of Christians and Jews, American Heart, savings bonds.

She is the author of "Mr. Chairman" (parliamentary law textbook) and conducts a syndicate column by that title.

She is the only woman eligible to change the title of the "Man of the South" to "Woman of the South" in whatever years she should get the most votes.

Mr. Speaker, Mrs. Hobby was appointed Federal Security Administrator on January 21, 1953. This agency became the Department of Health, Education, and Welfare on April 11, 1953. She was the first Administrator and the first woman to become a Cabinet officer of our Government. She resigned July 31, 1955.

Health, Education, and Welfare is a tremendously large and important Department. At the time Mrs. Hobby was Administrator, the Department had about 44,500 employees. The administration of this Department is considered, not only one of the most important but one of the most difficult positions in the entire Government. She did a magnificent job of administration. The Department has many agencies which are separate and distinct from each other—and, of course, their separateness adds to the administrative problems of the office—such as the Office of Education, Public Health Service, Social Security Administration, Office of Vocational Rehabilitation, Food and Drug Administration, and several hospitals and universities.

Application of Radiation Protection Standards

EXTENSION OF REMARKS

OF

HON. CHET HOLIFIELD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. HOLIFIELD. Mr. Speaker, in June of this year, hearings were held before the Subcommittee on Research, Development, and Radiation of the Joint Committee on Atomic Energy on the subject of "Radiation Standards, Including Fallout." There hearings were part of the Joint Committee's continuing effort to bring objective professional knowledge to bear on this important subject.

In the process of conducting these hearings, and in our later evaluation of the extensive materials which were developed, several major questions remained unclarified which are summarized as follows: First. Are the radiation protection guides established by the Federal Radiation Council applicable to fallout from nuclear weapons tests, especially the resulting incidence of iodine 131 levels; and second, what agency or agencies of the Government have the responsibility and authority for invoking countermeasures in the event that certain radionuclides reach undesirable levels?

To clarify these matters, Representative MELVIN PRICE, chairman of the

Subcommittee on Research, Development, and Radiation, and I wrote to the Chairman of the Federal Radiation Council to obtain further information. The reply from the Federal Radiation Council has been recently received and I believe that it does indicate some progress in clarifying these issues.

For the information of the public, which is vitally interested in this problem, the Joint Committee on Atomic Energy recently issued a press release incorporating this exchange of correspondence. I am inserting in the RECORD at this point a copy of the Joint Committee release with the attached correspondence.

EXCHANGE OF LETTERS CONCERNING APPLICATION OF RADIATION PROTECTION STANDARDS BETWEEN JOINT COMMITTEE AND FEDERAL RADIATION COUNCIL RELEASED BY JOINT COMMITTEE ON ATOMIC ENERGY

An exchange of letters between the Joint Committee on Atomic Energy and the Federal Radiation Council on major unresolved questions concerning the applications of radiation protection standards were released today by Congressman CHET HOLIFIELD, chairman of the Joint Committee on Atomic Energy, and Congressman MELVIN PRICE, chairman, Subcommittee on Research, Development, and Radiation.

Following testimony by Surgeon General Luther Terry at the Joint Committee hearings on "Radiation Standards, Including Fallout," held June 4–7, 1962, the Joint Committee requested the Federal Radiation Council to clarify its position on the criteria being used to determine when undesirable levels of radioactive debris from fallout were reached. This important question was posed by the Joint Committee as early as its 1959 hearings on "Fallout From Nuclear Weapons Tests."

On June 18, 1962, Chairman HOLIFIELD and Congressman PRICE wrote to Chairman Ribicoff of the Federal Radiation Council requesting information concerning (1) the role of the FRC's radiation protection guides (RPG), particularly in relation to iodine 131; and (2) what Federal agencies were responsible for invoking protective countermeasures in the event radiation levels became unduly high. The need for resolving these matters was indicated as "increased by the recent resumption of atmospheric nuclear tests by the Soviet Union and the United States."

The first question in the letter of June 18 was concerned with whether the numerical values in the radiation protection guides establish the sole or principal criteria for evaluating undesirable levels of radiation from fallout. Secondly, if so, are these numerical values sufficient to indicate when and what action is appropriate to protect public health? Thirdly, if not, is further or supplementary criteria needed and whose responsibility is it to develop and implement such criteria? An additional request was made in the Joint Committee letter of June 18, concerning the views of the FRC on the current status of legal authority and responsibility for invoking countermeasures or taking any other action should radioactivity from fallout reach undesirable levels.

On August 16, 1962, Congressmen HOLIFIELD and PRICE sent a letter to the FRC to further supplement the letter of June 18, 1962. The letter stated in part:

"The urgency of this review is pointed up by the recent resumption of atmospheric nuclear testing by the Soviet Union and reports of sharp increases in radioiodine levels in Nevada and Utah from U.S. tests. The latter situation, as you know, caused local public health officials in Utah to invoke plans for the diversion of fresh milk into forms carrying lower levels of radioactivity.

"We do not imply that the current levels of radioactivity have reached a danger point. Indeed, we are satisfied that they are apparently within the current acceptable limits of the radiation protection guides. However, we are not convinced that these guides presently apply to fallout, nor that they should apply to fallout as presently set forth.

* * * * *

"Thus, there is a necessity to clarify the meaning of the radiation protection guides in order that they may be understood by the public and by those officials of the Government who will have the responsibility for invoking countermeasures in the event radioactivity levels reach undesirable proportions."

The Federal Radiation Council, under the chairmanship of Chairman Celebrezze, replied by letter dated August 17, 1962. The letter pointed out the differences between fallout and other sources of radiation which the radiation protection guides were developed to control, stating:

"As applied to fallout, the guides can be used as an indication of when there is a need for detailed evaluation of possible exposure hazards and a need to consider whether any protective action should be taken under all the relevant circumstances.

"But once we are alerted to the need to consider protective action, the guides do not tell us when to act or what to do. These judgments require careful consideration of local conditions and the impact of available health protection measures. The Council believes that individual fallout situations require individual evaluation before a specific action is taken."

As a summary with respect to the guides, the Council stated: "The guides are not intended to be a dividing line between safety and danger. We have assumed that there is some slight risk to health from any level of radiation exposure, however low, even at or below the low levels set by the guides. At the same time we do not believe there is any risk of a major health hazard until exposure levels are many times above the guide levels. For example, this is borne out in relation to iodine 131 by the report to the Federal Radiation Council of the National Academy of Sciences, 'Pathological Effects of Thyroid Irradiation,' July 1962."

As to responsibilities for invoking protective measures, the Council stated: "Within the Federal Government, authority now exists under the Federal Food, Drug, and Cosmetic Act to control the shipment of adulterated food in interstate commerce. By definition, foodstuffs containing excessive radioactivity would be adulterated. States have the authority to control intrastate distribution or sale of adulterated foods, which would include foodstuffs containing excessive amounts of radioactivity. State food and drug laws vary widely in their scope and adequacy with respect to the problem of radioactivity in foods. The Public Health Service has the general responsibility to recommend appropriate health protection measures to States and local authorities and to the general public."

Congressmen HOLIFIELD and PRICE stated that the Joint Committee would study the FRC letter to determine whether the answers were adequate, but indicated: "We seem to be making some progress in clarifying this important subject."

Copies of the exchange of correspondence are attached.

Attachments: (1) Copy of letter June 18, 1962, from JCAE to Chairman, Federal Radiation Council, with attachment copy of letter January 16, 1962, from Congressman HOLIFIELD to the President; (2) copy of letter August 16, 1962, from JCAE to Jones, HEW; (3) copy of letter August 17, 1962, from Chairman, FRC, to JCAE.

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON ATOMIC ENERGY,
June 18, 1962.

Hon. ABRAHAM RIBICOFF,
Chairman, Federal Radiation Council,
Washington, D.C.

DEAR MR. CHAIRMAN: In reviewing the record of our recent hearings on "Radiation Standards, Including Fallout," there are apparently a number of unresolved questions, which had also been left open after our 1960 hearings on "Radiation Protection Criteria and Standards." The need for resolving these matters is increased by the recent resumption of atmospheric nuclear tests by the Soviet Union and the United States.

Our first question concerns the relation between the radiation protection guides (RPG) promulgated by the Federal Radiation Council and the incidence of radioactive fallout as a result of nuclear weapons testing.

At the 1960 hearings, Dr. Chadwick, then secretary of the FRC, was asked by Mr. HOLIFIELD whether the new radiation protection guides applied to "problems which may develop in relation to fallout." His response was: "Sir, as indicated in the testimony, special problems would require special consideration by the Council."

When requested by the committee to further clarify this matter, the Federal Radiation Council commented as follows: "The Council is aware that the numerical values of the radiation protection guides and radioactivity guides may also be interpreted to apply to normal peacetime situations in contrast to 'normal peacetime operations.' When used in this way, the guides may be considered to define environmental levels consistent with normal peacetime situations based on the levels of environmental radioactivity regardless of its source. In this sense, the graded series of ranges related to the intake of radioactive materials provided in Report No. 2 may be taken to indicate the general conditions under which special consideration must be given and possible corrective actions considered."

The testimony on this point at our recent hearings continued to be clouded. The testimony of Dr. Russell Morgan implied that countermeasures should be ordered when radiation doses reached, or showed signs of reaching, the levels prescribed in the radiation protection guides. The thrust of the recent National Advisory Committee on Radiation (NACOR) report is to the same effect.

Surgeon General Terry's statement, in releasing the NACOR report, was as follows: "If daily intakes are above this level (range II of the radiation protection guide) and into range III and are likely to persist, then exceeding the radiation protection guide becomes a distinct possibility, and in such circumstances countermeasures are to be considered."

It is thus the implication of the Surgeon General's statement, the NACOR report, and Dr. Morgan's testimony, that the FRC's radiation protection guides may be applicable in determining when unacceptable concentrations of radioactive nuclides from fallout have been reached.

On the other hand, we have seen plain evidence from the introduction to Report No. 1 of the Federal Radiation Council that, "Only peacetime uses of radiation which might affect the exposure of the civilian population are considered at this time." Report No. 2 repeated the statement contained in Report No. 1 that, "The guides recommended herein are appropriate for normal peacetime operations."

Furthermore, the guides have been repeatedly described as consistent with, and based on, the same evidence as NCRP levels and recommendations, which are universally acknowledged to be based on nonmilitary activities.

Moreover, testimony at our hearings, particularly that of Dr. Gordon M. Dunning of AEC, emphasized that the radiation protection guides are based on a balancing of risk against benefit in the context of peacetime operations and that to use them in deciding when to invoke countermeasures against fallout is an "improper use of those guides." Dr. Dunning emphasized that the questions of the applicability of the guides to fallout "should be clarified at once before there is further confusion and before there may be an ill-advised action taken by some regulatory body."

We deem it of utmost importance to have your response to the following questions:

1. Are the numerical values of the radiation protection guides established by the Federal Radiation Council the sole or principal criteria now used in evaluating when undesirable levels of radioactive nuclides from fallout have been reached?

2. If so, is this use of the present numerical values of the guides sufficient to indicate when and what action is appropriate to protect public health?

3. If not, is the development of further or supplementary criteria needed; and if so, is it the responsibility of the Federal Radiation Council or of the Public Health Service or others to develop and implement such criteria?

You are undoubtedly aware that the chairman of the Joint Committee, in a letter to the President dated January 16, 1962, suggested that the FRC should review the possible effect of fallout from proposed U.S. testing. We, of course, do not necessarily believe that the FRC guides should constitute the criteria if they were not so intended. However, we do believe that all significant additions of radioactivity to the environment including fallout should be reviewed by the FRC and evaluated against appropriate standards.

The other important matter left open after our hearings is, where does the legal responsibility and authority lie for invoking countermeasures?

During the testimony of the Surgeon General, he was asked the following question by the committee staff: "Does the Public Health Service have the legal authority to initiate such countermeasures as banning the sale of fresh milk and requiring special processes to decontaminate foodstuffs?"

His reply was: "We certainly have the responsibility for the surveillance and for making the recommendations. I am not absolutely certain just exactly where our legal authority is or how far our legal authority extends."

It was noted in the hearings that the actual implementation of countermeasures would have to be accomplished by State health authorities, but no indication was given as to whether the States have the necessary authority and means of administration to accomplish the countermeasures.

We believe it is extremely important that this matter be clarified, in order to alleviate public concern over the hazards of ionizing radiation and to minimize the possibility of uncoordinated and ill-advised actions being taken should certain radionuclides reach undesirable levels in the environment.

We wish, therefore, to request your views on the current status of legal authority and responsibility for invoking countermeasures or taking any other action, including any recommendations you may have in this regard.

Because we regard these matters as being of considerable importance and urgency, we would request your consideration at the earliest possible date. To that end we would like to suggest that our respective staffs should meet together on June 21 or June 22 to explore these problems further.

Your cooperation is appreciated.

Sincerely yours,

MELVIN PRICE,
Chairman, Subcommittee on Research, Development and Radiation.

CHET HOLIFIELD, *Chairman.*

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON ATOMIC ENERGY,
August 16, 1962.

Mr. BOISFEUILLET JONES,
Special Assistant to the Secretary (Health and Medical Affairs), Department of Health, Education, and Welfare, Washington, D.C.

DEAR MR. JONES: This is with further reference to our letter of June 18, 1962, to Secretary Ribicoff concerning the need for a reevaluation of the radiation protection guides established by the Federal Radiation Council and a further examination of the administrative means and legal authority for invoking countermeasures.

The urgency of this review is pointed up by the recent resumption of atmospheric nuclear testing by the Soviet Union and reports of sharp increases in radioiodine levels in Nevada and Utah from U.S. tests. The latter situation, as you know, caused local public health officials in Utah to invoke plans for the diversion of fresh milk into forms carrying lower levels of radioactivity. Recent newspaper reports state that this action by the Utah officials "came as a complete surprise to the U.S. Public Health Service" and was not coordinated with appropriate Federal officials.

You will recall that in our letter of June 18 that we stated: "We believe that it is extremely important that this matter be clarified, in order to alleviate public concern over the hazards of ionizing radiation and to minimize the possibility of uncoordinated and ill-advised actions being taken should certain radionuclides reach undesirable levels in the environment."

The recent evens in Utah demonstrate the very real importance of our earlier admonition. Moreover, in view of the resumption of Soviet atmospheric testing, we believe that incidents such as this may likely occur in the future in widely scattered portions of the United States. It is therefore important that the Federal Radiation Council proceed without delay with the consideration called for in our letter of June 18.

We do not imply that the current levels of radioactivity have reached a danger point. Indeed, we are satisfied that they are apparently within the current acceptable limits of the radiation protection guides. However, we are not convinced that these guides presently apply to fallout, nor that they should apply to fallout as presently set forth. We are heartened by the recent panel report of the National Academy of Sciences which indicates that no case of thyroid cancer ascribable to radioactive iodine has been found in man.

Thus, there is a necessity to clarify the meaning of the radiation protection guides in order that they may be understood by the public and by those officials of the Government who will have the responsibility for invoking countermeasures in the event radioactivity levels reach undesirable proportions. We do not want to see another cranberry emergency develop as a result of Government inertia or ill-timed action. Moreover, the authority under which these public officials act must have a clear legal basis, and efficient administrative machinery must be available to assure that any action taken will be prompt and well considered.

We hope that these matters will receive your prompt attention.

Sincerely yours,

CHET HOLIFIELD,
Chairman.

MELVIN PRICE,
Chairman, Subcommittee on Research, Development and Radiation.

FEDERAL RADIATION COUNCIL,
EXECUTIVE OFFICE BUILDING,
Washington, D.C., August 17, 1962.

Hon. CHET HOLIFIELD,
Chairman, Joint Committee on Atomic Energy, Congress of the United States, Washington, D.C.

Hon. MELVIN PRICE,
Chairman, Subcommittee on Research, Development and Radiation.

DEAR MR. CHAIRMEN: Your letter of June 18, 1962, points out that following the recent hearings of the Subcommittee on Research, Development, and Radiation of the Joint Committee on Atomic Energy, there were unresolved questions concerning the application of radiation protection standards. Following the questions are comments of the Council.

No. 1. Are the numerical values of the radiation protection guides established by the Federal Radiation Council the sole or principal criteria now used in evaluating when undesirable levels of radioactive nuclides from fallout have been reached?

No. 2. If so, is this use of the present numerical values of the guides sufficient to indicate when and what action is appropriate to protect public health?

Comments on first two questions: No, the guides are not the sole criteria used in evaluating the significance of fallout.

Since there has been widespread misunderstanding concerning these guides, it may be useful to explain how they were developed and how they are to be used.

As you know, to be prudent we assume that there is always some slight risk to health from any level of radiation exposure however low. Hence, setting basic radiation protection guidance involves a balancing between the requirements of total health protection (which, ideally, would tolerate no exposure) and the promotion of the use of radiation and atomic energy to achieve worthwhile benefits (which may involve exposure). With this principle in mind, the guides were originally developed for application as guidelines for the protection of radiation workers and the general public against exposures which might result during "normal peacetime operations" in connection with the industrial use of ionizing radiation. In this connection, as noted in Chairman Ribicoff's letter of June 1 to you transmitting "Comments on the major unresolved questions concerning the Federal Radiation Council" the term "normal peacetime operations" referred specifically to the peaceful applications of nuclear technology where the primary control is placed on the design and use of the source. Since the numerical values in the guides were designed for the regulation of a continuing industry, they were of necessity set so low that the upper limit of range II can be considered to fall well within levels of exposure acceptable for a lifetime. Furthermore, to provide the maximum margin of safety, the upper limits of range II were related to the lowest possible level at which it was believed that nuclear industrial technology could be developed.

It is necessary to watch the buildup of exposure levels as radiation exposures occur. A 1-year cumulative total has been recommended for this purpose. Obviously, this 1-year span is an arbitrary measure, and no special significance should be attached to the precise cumulative exposure at the end of a 365-day period. Far more relevant are

the sources of the exposure, their frequency and their likelihood of continuing.

The guides are not intended to be a dividing line between safety and danger in actual radiation situations. Nor are they intended to set a line at which protective action should be taken or to indicate what kind of action should be taken. Some actions might in some circumstances be appropriate at levels below the guides. Other actions might be completely inappropriate and even harmful except at levels many times above the guide levels.

While the guides were not specifically designed for fallout situations, they have some relevance for the assessment of fallout conditions. There is, of course, an essential difference between environmental radioactivity resulting from a long-term or permanent industrial operation and that related to intermittent production from individual weapons tests or series of weapons tests. With the former, it is predictable that introduction of radioisotopes into the environment will persist at a known rate throughout the life of the source. On the other hand, weapons tests are likely to be sporadic in nature and the radioactivity produced will rise at the time of testing and decline at varying rates for different isotopes after conclusion of a test or series of tests. While "normal peacetime operations," for which the guides were recommended as appropriate, imply that environmental radioactivity will persist at a predetermined level throughout the human lifetime, that from fallout is likely to be extremely variable.

As applied to fallout, the guides can be used as an indication of when there is a need for detailed evaluation of possible exposure hazards and a need to consider whether any protective action should be taken under all the relevant circumstances.

But once we are alerted to the need to consider protective action, the guides do not tell us when to act or what to do. These judgments require careful consideration of local conditions and the impact of available health protection measures. The Council believes that individual fallout situations require individual evaluation before specific action is taken. Such an evaluation must involve a careful examination of the source and magnitude and duration of the probable exposure levels as well as a careful evaluation of the health significance of these probable exposures, and national security considerations are inevitably involved. The judgment as to when to take action and what kind of action to take to decrease exposure levels involves consideration of all of these factors. The guides have some relevance for making this judgment, but they do not and were never intended to provide the sole basis for deciding how and when to act. It must be kept in mind that radiation exposures anywhere near the guides involve risks so slight that countermeasures which themselves involve any slight hazard may have a net adverse rather than favorable effect on the public well-being.

In summary then, the guides are not intended to be a dividing line between safety and danger. We have assumed that there is some slight risk to health from any level of radiation exposure, however low, even at or below the low levels set by the guides. At the same time we do not believe there is any risk of a major health hazard until exposure levels are many times above the guide levels. For example, this is borne out in relation to iodine 131 by the report to the Federal Radiation Council of the National Academy of Sciences, "Pathological Effects of Thyroid Irradiation," July 1962.

No. 3: If not is the development of further or supplementary criteria needed and if so is it the responsibility of the Federal Radiation Council or the Public Health Service or others to develop and implement such criteria?

Comment: There is a continuing need for the devolpment of guidance in this field. In accordance with Public Law 86-373, "The Council shall advise the President with respect to radiation matters, directly or indirectly affecting health, including guidance for all Federal agencies in the formulation of radiation standards and in the establishment and execution of programs of cooperation with States." The appropriate Federal agencies will develop specific modes of action in accordance with such guidance.

Your letter of June 18 mentioned another important matter left open after the hearings, that of the legal responsibility and authority for invoking countermeasures.

Within the Federal Government, authority now exists under the Federal Food, Drug, and Cosmetic Act to control the shipment of adulterated food in interstate commerce. By definition, foodstuffs containing excessive radioactivity would be adulterated.

States have the authority to control intrastate distribution or sale of adulterated foods, which would include foodstuffs containing excessive amounts of radioactivity. State food and drug laws vary widely in their scope and adequacy with respect to the problem of radioactivity in foods. The Public Health Service has the general responsibility to recommend appropriate health protection measures to States and local authorities and to the general public.

In closing, on behalf of the Council, I should like to acknowledge the Joint Committee's responsible efforts to delineate problems relating to fallout requiring further study and clarification, and in promoting more widespread public understanding of the issues involved.

Sincerely yours,

ANTHONY J. CELEBREZZE,
Chairman.

Dollar Gap Must Be Cut

EXTENSION OF REMARKS

OF

HON. PHILIP J. PHILBIN

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. PHILBIN. Mr. Speaker, there are a few reflections and views concerning the dollar gap that Congress, as well as the executive department, would be well advised to have in mind these days.

First, the basic reason for the gap is that we have been, and are, spending much more money abroad than we are earning abroad. As a consequence, having piled up over a period of years huge claims against our diminishing gold stocks, the impressive disbalance in our accounts hangs over our heads like the sword of Damocles.

The able, economic writer, Sylvia Porter, recently set forth some statistics in one of her columns that would seem worth repeating.

Last year, for example, we sold more than $19.9 billion of goods to foreign buyers, bought back over $14.5 billion. That gave us a fat merchandise export surplus of almost $5.4 billion.

In the same period, U.S. residents received as income on foreign investments over $3.6 billion, while foreigners received an income on investments here of $871 million, which gave us another substantial favorable balance in our payments accounts.

U.S. residents spent for tourism, transportation, and insurance abroad over $4.7 billion, while for similar services here, foreigners spent almost $4.4 billion, resulting in an unfavorable balance of about $400 million.

So far, so good, we can agree; but there is another side to the story. We spent abroad for military expenditures over $2.9 billion, while our military receipts here were only $406 million for this particular item, representing an unfavorable balance of more than $2.5 billion.

Our net private investments abroad—ranging from an extension of credits to other areas for purchase of foreign physical properties—came to more than $3.9 billion, while net private investments here in the United States came to $577 million, thus showing another unfavorable balance of $3.4 billion.

In addition, there is a very large sum of $2.1 billion which the U.S. Government transferred to foreign countries for economic aid and defense support aid, for which we got nothing in direct return although, of course, most of us are satisfied that a large part of this amount represents security insurance, so to speak, and vital strengthening of our free world allies.

There is another item of $954 million, which our Government invested abroad, not in outright gifts, but in loans—direct loans to the governments themselves, loans through the Export-Import Bank, subscriptions to the Inter-American Development Bank. All repayments on these loans were subtracted, so it is a net unfavorable balance of $954 million.

Another item was the $634 million which private U.S. sources sent to foreigners—money orders sent by Americans to relatives abroad, the so-called errors and omissions category coming to an impressive minus total of $616 million.

The principal point of the above figures is that when added up, the credits come to almost $28.9 billion for 1961, whereas the debits leave a deficit of nearly $2.5 billion.

Miss Porter is of the opinion that at this particular time—and I take it that she means after the huge sums we have sent overseas since World War II—the other nations of the free world could take over a much bigger share of the $5 billion burden we are carrying for military defense and economic aid.

She suggests that we might hike our earnings from tourism spending within the United States by a major amount and increase our income by exports of goods far beyond where it is, although it is not clear how this can be done.

The situation outlined would appear to add up to some conclusions which I have previously presented to the House concerning the dollar gap.

The two principal areas by which we can eliminate, or further reduce, the gap is to cut the fat out of foreign aid spending without, of course, impairing the essential purposes of foreign defenses and aid, and stepping up our export-import ratio.

At this time, I will not repeat my previous analysis of this ratio, but I would like once again to stress the fact that we cannot increase interest rates for the sake solely of keeping foreign capital here in this country, and we cannot tolerate augmenting imports without jeopardizing the integrity and strength of our own great, free, economic productive machine and inducing dangerous industrial depression and extensive unemployment in the country.

Admittedly, these are tough and complex questions to solve. Yet we must find the answers without further delay, if we are to avoid further serious impairment of the value of the dollar, lower social standards, and rising unemployment here.

Clearly, this is a job for tough-minded economists and realistic financiers, who will not allow purely altruistic values, however commendable, to impair practical judgments as to what is best for the United States.

The dollar gap does not stand by itself as an individual question. It is tied in inextricably with other political, economic, social problems—international and domestic—in a puzzling package that will continue to challenge and endanger our economic situation at home and abroad, unless we come up with early answers putting these components in a better, more practical perspective.

New Efforts To Achieve a Meaningful Test Ban Treaty

EXTENSION OF REMARKS

OF

HON. JEFFERY COHELAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. COHELAN. Mr. Speaker, in still another attempt to achieve a meaningful nuclear test ban treaty the United States and Great Britain have made a significant new proposal to the Geneva Disarmament Conference.

In their joint communique President Kennedy and Prime Minister Macmillan stated that:

> The United States and the United Kingdom cannot emphasize too strongly the urgency we attach to the problem of ending all nuclear tests once and for all. For the safety and security of all of us, this deadly competition must be halted and we, again, urge the Soviet Government to join with us in meaningful action to make this necessity a reality.

Mr. Speaker, I commend this statement and an excellent editorial which appeared in this morning's New York Times to our colleagues for their most serious attention and consideration:

STATEMENT BY PRESIDENT KENNEDY AND PRIME MINISTER MACMILLAN, AUGUST 27, 1962

A guaranteed end to all nuclear testing in all environments is a fundamental objective of the free world. We are deeply convinced that the achievement of this objective would serve our best national interests and the national interests of all the nations of the world.

In recent weeks the United States and the United Kingdom have renewed their efforts at the Geneva Disarmament Conference to reach this goal. Based on the latest scientific findings of our research program, we have put forward proposals in the strong hope of obtaining prompt agreement on this crucial issue.

As a further step in the direction of this long-sought-after goal, the United States and the United Kingdom have instructed their representatives at Geneva to present today at the 18 Nation Disarmament Committee a draft treaty containing proposals for an end to all nuclear testing in all environments as well as an alternative draft treaty providing for an end to nuclear testing in the atmosphere, underwater, and in outer space. We both believe the arrangements we have outlined in these documents for insuring compliance with the terms of the agreement—whether comprehensive or limited—are sound and reasonable providing, as they do, the necessary guarantees for our own security and the security of all nations which might become parties to either agreement. We wish to make clear the strong preference of the United States and the United Kingdom for prompt action on the first of them, namely, the comprehensive treaty. However, we are also prepared to conclude an early agreement on the basis of the second document, that covering a more limited field, if this represents the widest area of agreement possible at this time.

Unlike a ban on testing in all environments, including underground, a treaty banning tests in the atmosphere, underwater, and in outer space can be effectively verified without onsite inspections. Such a treaty would result in a definite downward turn in the arms race as it is represented by testing to develop weapons technology. It would make it easier to prevent the spread of nuclear weapons to countries not now possessing them. It would free mankind from the dangers and fear of radioactive fallout. Furthermore, agreement on such a treaty might be a first step toward an agreement banning testing in all environments.

The United States and the United Kingdom cannot emphasize too strongly the urgency we attach to the problem of ending all nuclear testing once and for all. For the safety and security of all of us, this deadly competition must be halted and we, again, urge the Soviet Government to join with us in meaningful action to make this necessity a reality.

A LIMITED TEST BAN

With the inexorable clock of history ticking away toward the moment when the atomic arms race may get wholly beyond control, the United States and Britain are making another serious attempt to persuade Soviet Russia to join them in a nuclear test ban. To this end, they have submitted to the Geneva disarmament conference two alternative draft treaties.

The first and preferable one calls for a total test ban under international control, including on-site inspection. But since Moscow flatly rejects as espionage onsite inspections by foreigners, the British and Americans are proposing an alternate treaty which Ambassador Dean rightly calls "far-reaching and epochal." This treaty would ban all nuclear weapons tests in the atmosphere, under water and in outer space—these are the ones that cause lethal fallout—and it would do so without onsite inspection or any international verification machinery.

This second draft treaty is an expansion of President Eisenhower's proposal in 1959 to ban atmospheric tests up to 30 miles altitude and the Kennedy-Macmillan proposal of last year to ban all atmosphere tests without additional controls. In that respect it goes even further than such proposals as the one recently made by Italy, which involved an international monitoring system, including onsite inspection by invitation. How far it really goes is shown by the fact that it drops the previous American demand for inspection of test preparations and it shelves misgivings that the new detection methods may still be unreliable for small atmospheric tests.

However, President Kennedy and Prime Minister Macmillan are confident that the latest scientific findings indicate that tests in the atmosphere, under water and in outer space can now be effectively verified without onsite inspections. It may be assumed that they base their conclusion on the results of the armada by secret American surveillance satellites going by such names as Midas, Samos, Satellite Inspector, and Vela.

The limited test ban, even if little more than another moratorium terminable on 60 days' notice, is clearly the best hope under present circumstances. It is all the more urgent because Communist China is believed ready for tests within months. The sincerity of Russian professions against nuclear testing can be judged, for all the world to see, by the Soviet Union's reaction to these latest United States-British proposals which make a major step toward the elimination of nuclear testing with its deadly fallout. If the rest of the world gets behind the Anglo-American proposals, the U.S.S.R. may yet be persuaded to soften its hostility toward the draft treaties. The future of mankind could well be at stake.

Anniversary Messages: U.S. Naval Dental Corps

EXTENSION OF REMARKS

OF

HON. L. MENDEL RIVERS

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. RIVERS of South Carolina. Mr. Speaker, congratulatory messages was the order of the day when the U.S. Navy Dental Corps marked its 50th anniversary on August 22.

From the corpsmen on up to Rear Adm. C. W. Schantz, the officers and men of the Dental Corps richly deserve these tributes.

Even the President took time out of his grueling schedule to wire his greetings to the Corps. In the Medical News Letter, several of these glowing accolades were published, along with an interesting and detailed history of the Corps and the accomplishments of its dedicated personnel.

Under leave to extend my remarks in the RECORD, I hereby insert the newsletter so that all America may read of the outstanding work of this medical division:

ANNIVERSARY MESSAGES—U.S. NAVAL DENTAL CORPS

THE PRESIDENT
OF THE UNITED STATES,
Washington, D.C., March 28, 1962.

Rear Adm. C. W. SCHANTZ, U.S. Navy,
Assistant Chief of the Bureau of Medicine and Surgery (Dentistry), and Chief, Dental Division, Department of the Navy, Washington, D.C.:

I am happy to extend my greetings and congratulations to Admiral Schantz and the officers and men of the Dental Division of

the Bureau of Medicine and Surgery on the 50th anniversary of the U.S. Naval Dental Corps.

The corps performs an important function in maintaining the health of the U.S. Navy and Marine Corps, and I am glad to have this opportunity to send the U.S. Naval Dental Corps my warm congratulations and best wishes for the tasks which still lie ahead of you.

JOHN F. KENNEDY.

THE SECRETARY OF DEFENSE,
Washington.

To: The U.S. Naval Dental Corps, 1962.

Hearty congratulations on your 50th anniversary. Your half century of service has been a record of professional competence, praiseworthy accomplishments, and devotion to duty. Your corps has made remarkable progress in the field of dentistry.

We are proud to have your corps as an important member of the team that helps to maintain the overall health of Armed Forces of the United States. My best wishes for your continued success.

ROBERT S. MCNAMARA.

THE SECRETARY OF THE NAVY,
Washington.

It is a sincere pleasure for me to extend warmest greetings to the U.S. Naval Dental Corps on the occasion of its 50th anniversary.

Your mission is vital to the maintenance of the overall health of the Navy and Marine Corps. The complexities of the modern defense machine demand a physical fitness unknown during the founding period of your fine corps. Yours is a direct contribution to this effort.

In addition, you exert a lasting influence upon the health of millions of our young men and women who serve their country in the U.S. Navy and Marine Corps. This influence carries over into the civil populace as these individuals return to their homes and families, thus adding to the overall health potential of our Nation.

May the U.S. Naval Dental Corps, through pursuit of its vigorous programs of education and research, continue in its prominent position of leadership in the dental profession throughout the civilized world.

FRED KARTH.

CHIEF OF NAVAL OPERATIONS.

It is a sincere pleasure to extend warm and hearty congratulations to the U.S. Naval Dental Corps on the occasion of the 50th anniversary of its founding. Your contributions to the overall health of officers and men of the Navy and Marine Corps are without question a vital factor in the successful completion of our many and varied duties.

The many requirements placed upon these who man our ships, aircraft, shore stations, and Marine units make it necessary that all personnel concerned attain the highest possible degree of physical fitness. Your outstanding efficiency, technical achievements, and superb leadership today are a major part of our program of keeping people fit and will be of even greater value in the days to come.

GEORGE W. ANDERSON,
Admiral, U.S. Navy.

HEADQUARTERS, U.S. MARINE CORPS,
OFFICE OF THE COMMANDANT,
Washington, D.C.

Rear Adm. CURTIS W. SCHANTZ, D.C.,
Assistant Chief, Bureau of Medicine and Surgery, Chief, Dental Division, Department of the Navy, Washington, D.C.

DEAR ADMIRAL SCHANTZ: It is a genuine pleasure to extend heartiest congratulations and best wishes from the U.S. Marine Corps to you, and to all the members of the Navy Dental Corps, on the 50th anniversary of your splendid organization.

Since its founding on August 22, 1912, the Navy Dental Corps has established a fine record of devotion to duty and high professional competence. We Marines hold all of you in high esteem.

Warmest personal regards and every good wish for the continued success of the Navy Dental Corps.

Sincerely,

DAVID M. SHOUP,
General, U.S. Marine Corps,
Commandant of the Marine Corps.

THE SURGEON GENERAL OF THE NAVY.

It is my pleasure to extend sincere congratulations to the Navy Dental Corps on the occasion of its 50th anniversary.

Throughout these years dental care for Navy and Marine Corps personnel has kept pace with the tremendous advances in dental techniques and materials. Significant contributions by Navy dental officers have been made in the broad areas of dental caries, oral pathology, and high-speed techniques. Both residency training and postgraduate level education have been vigorously conducted to improve and increase clinical capability. Dental officers have increased their proficiency in general anesthesia prior to assignment to sea duty and thereby give invaluable support to the medical officer during surgical procedures.

As spokesman for the other corps of the medical department I am privileged to publicly acclaim your importance as a component of the medical team. Working together we can truly accomplish our mission of protecting the health and physical fitness of the serviceman.

E. C. KENNEY,
Rear Admiral, Medical Corps,
U.S. Navy.

DEPARTMENT OF THE NAVY,
BUREAU OF MEDICINE AND SURGERY,
Washington, D.C.

To: Members of the U.S. Naval Dental Corps and Reserve components.

On the occasion of the 50th anniversary of the founding of the U.S. Naval Dental Corps, I offer a warm and cordial greeting to all those whose unceasing efforts have been directed toward the building of the professional reputation enjoyed by us today.

It is a time for us to reflect upon our past achievements; it is also a time for us to plan for even greater accomplishments ahead. Progress is never static. Many of those who have gone before us set their sights on goals that were often beyond the horizon; they, however, possessed the fortitude to chart a forthright course, often through stormy seas, to secure the fulfillment of their vision. It is this spirit that has been the driving force behind the leadership of the U.S. Naval Dental Corps.

Our heritage, therefore, demands that we, the members of the Dental Corps of 1962, accomplish our everyday tasks and surmount our everyday problems in a manner that will be a source of pride to those who will celebrate our centennial, 50 years hence. This will often demand personal sacrifices, not without some misgivings, but our deeds pervade our future. I, therefore, proudly extend to all members of the U.S. Naval Dental Corps, past and present, Regular and Reserve and to all those who work with us, a well done and sincere anniversary wishes.

C. W. SCHANTZ,
Rear Admiral, Dental Corps, U.S. Navy, Assistant Chief of the Bureau of Medicine and Surgery (Dentistry), and Chief, Dental Division.

AMERICAN DENTAL ASSOCIATION,
Chicago, Ill.

Rear Adm. CURTISS W. SCHANTZ,
Assistant Chief for Dentistry, and Chief, Dental Division, Department of the Navy, Bureau of Medicine and Surgery, Washington, D.C.

DEAR ADMIRAL SCHANTZ: It is my pleasure to extend to all officers of the Navy Dental Corps, Active, Reserve, and retired, the heartfelt congratulations of the members of the American Dental Association on the occasion of the corps' golden anniversary.

The officers of the Navy Dental Corps, through their extraordinary devotion to the improvement of the dental health of Navy personnel and their intimate concern for the stability of the corps as an essential and autonomous arm of the Navy health team, have earned the unstinting admiration of the entire dental profession.

On behalf of the more than 98,000 members of the American Dental Association, I am privileged to extend all good wishes for continued success and good sailing to all members of the Navy Dental Corps.

Cordially,

JOHN R. ABEL, D.D.S.,
President.

THE U.S. NAVAL DENTAL CORPS

(Rear Adm. C. W. Schantz, Dental Corps, U.S. Navy, Assistant Chief, Bureau of Medicine and Surgery (Dentistry), and Chief, Dental Division)

Fifty years have passed since President Taft, on August 22, 1912, signed a bill passed by Congress authorizing the appointment of "not more than 30 acting assistant dental surgeons to be a part of the Medical Department of the U.S. Navy." Although the event marked the establishment of the U.S. Naval Dental Corps, its roots may be traced backward for well over 100 years. For it was in 1844 that Dr. Edward Maynard, a dentist in Washington, D.C., first advocated a Dental Corps for the U.S. Army and for the U.S. Navy. Numerous letters substantiate his efforts. During the years that intervened, many additional attempts were made to provide regular dental care in the U.S. Navy.

There were, however, dentists and dental apprentices in the U.S. Navy before the establishment of a Dental Corps. Thomas O. Walton, D.D.S., graduate of the Baltimore College of Dental Surgery in 1856, was the first graduate dentist to serve as an officer in the Navy. Appointed as an Acting Assistant Surgeon, he served in the Medical Department of the U.S. Naval Academy from April 22, 1873 to June 30, 1879. The following year he was appointed as a civilian contract dentist and in that capacity provided dental care for the midshipmen until 1899. In November of 1899, Dr. Richard Grady succeeded Dr. Walton at the Naval Academy as a contract dentist. Dr. Grady was later commissioned in the U.S. Naval Dental Corps following its establishment.

Elsewhere, when available, dental care was accomplished by limited numbers of hospital stewards, with varying amounts of training in dentistry, who were enlisted in the Navy. In 1903, Navy Surg. Gen. P. M. Rixey stated that "this arrangement * * * is not satisfactory to the Bureau and is neither just to the men nor pleasing to the dental profession." In 1904, Edward E. Harris, D.D.S., became the first graduate dentist to enlist in the Navy as a hospital steward performing dental treatment exclusively. Remaining in the service, he was commissioned in the Dental Corps after its establishment. Others followed Dr. Harris in a similar capacity.

Granted the authority by Congress to establish a Dental Corps, the Secretary of the Navy appointed Emory A. Bryant, D.D.S., and William N. Cogan, D.D.S., to form the corps. Dr. Bryant was a practicing dentist in Washington, D.C.; Dr. Cogan resigned as dean of Georgetown University Dental School to accept his appointment. The first examining board for the selection of dental officers to serve in the U.S. Navy met in November-December 1912 in Washington, D.C. It was comprised of the following members: Lt. Cmdr. Richmond C. Holcomb, Marine Corps,

U.S. Navy, president; Acting Assistant Dental Surgeon Emory A. Bryant; Acting Assistant Dental Surgeon William N. Cogan; William F. Murdy, hospital steward, clerk.

William F. Murdy was graduated later from dental school and entered the Dental Corps in 1918. The following candidates who were successful before the first examining board were appointed in January 1913: Dr. Harry E. Harvey, Dr. James L. Brown, Dr. Eugene H. Tennent, and Dr. Joseph A. Mahoney. In April of 1913, the first officers were appointed to the Naval Dental Reserve Corps as follows: Dr. Williams Donnally, Washington, D.C., Dr. Vines Edmunds Turner, Raleigh, N.C., and Dr. George C. Kusel, Swarthmore, Pa. The foregoing appointees also constituted the first board for the selection of officers of the Navy Dental Reserve Corps.

On March 5, 1913, Acting Assistant Dental Surgeon H. E. Harvey reported to the U.S.S. *Solace* as the first dental officer ordered to a ship. On April 27, 1913, Acting Assistant Dental Surgeon James L. Brown was ordered to the U.S. Naval Station, Guam, as the first dental officer to serve at an oversea base. On August 4, 1913, Acting Assistant Dental Surgeon Lucian C. Williams, the first dental officer ordered to Marine Corps duty reported to Parris Island, S.C. Thus, were the beginnings of recognized dental care in the U.S. Navy.

It should be noted that dental officers appointed under the act of 1912 were not commissioned, although the act made provision for commissioning "at the end of 3 years." The early appointees held the relative rank of lieutenant (junior grade) and wore the insignia of such rank. The Reorganization Act of August 29, 1916, granted dental surgeons the rank, pay, and allowances of lieutenants (junior grade). It provided further for advancement to the ranks of lieutenant and lieutenant commander.

A young and inexperienced organization, the Dental Corps faced the specter of war in less than 5 years after its establishment. Records indicate that 35 officers were on active duty April 6, 1917, the date marking the entrance of the United States into World War I; a peak of 500 officers was reached before the war ended. In spite of its youth, the Dental Corps, nevertheless, had its heroes in World War I. Two of its members were decorated with the Nation's highest award, the Medal of Honor: Lt. (jg.) Weeden E. Osborne, Dental Corps, U.S. Navy, the first naval officer to meet death in the land fighting overseas, "in helping to carry the wounded to a place of safety" and Lt. (jg.) Alexander G. Lyle, Dental Corps, U.S. Navy, "for extraordinary heroism and devotion to duty."

Following World War II, the Dental Corps entered a period of consolidation. Although dental officers had served previously in the Bureau of Medicine and Surgery, it was in 1922 that a Dental Division was established to "care for the technical needs of the corps." In 1923, a dental school was created as a Division of the U.S. Naval Medical School. The latter event marked the embarkation upon a course that has greatly influenced the professional excellence of the corps through the years. Notwithstanding the fact that dental officers were granted the pay and allowances of the ranks of commander and captain in 1918, it was not until 1926 that the ranks were authorized. Although 14 officers were selected for the rank of commander the same year, it was not until 1937 that dental officers were promoted to the rank of captain. In 1942 the rank of rear admiral was authorized, Capt. Alexander G. Lyle, Dental Corps, U.S. Navy, being the first dental officer to be so honored.

The economic crisis that faced the United States in the thirties was reflected in the U.S. Naval Dental Corps. In 1932, the Naval Dental School was closed when budgetary limitations caused retrenchments. Further, six officers who held temporary appointments were assigned temporary duty with the U.S. Army in 1933 for service with the Civilian Conservation Corps. In 1936, the U.S. Naval Dental School was reopened, this time as a part of the Naval Medical Center, Washington, D.C. Significantly, Comdr. John V. McAlpin, Dental Corps, U.S. Navy, was ordered as dental officer in command, the first dental officer to be so titled.

In the early 1940's, for the second time since the establishment of the Dental Corps, war clouds loomed on the horizon. The corps expanded to the extent that 759 officers were on active duty at 347 dental facilities on December 7, 1941—the morning of the attack on Pearl Harbor. The peak of World War II saw 7,026 dental officers on duty at 1,545 installations, the largest of which was Great Lakes, Ill., with 459 officers. Of significance during World War II, the U.S. Naval Dental School was commissioned as a part of the National Naval Medical Center in 1942; the first woman dentist in the Armed Forces, Lt. Sara G. Krout, Dental Corps, W–V (S) U.S. Naval Reserve, reported to Great Lakes in 1944; and an effort gained momentum for increased self-administration for the Dental Corps. The latter was climaxed in December 1945 with the approval of the bill, Public Law 284, "To provide more efficient dental care for the personnel of the U.S. Navy."

But there was another side to the Dental Corps in World War II. At all operations, dental officers and dental technicians carried out regular duties, assisted in the sick bays and operating rooms, administered supportive therapy, gave anesthetics, and aided in identifying the dead. In that major conflict it may be said that few engagements took place without the active participation of the dental officer serving with his unit. Proportionately, each contributed his share in all the heroic efforts of each campaign. The following list of awards is some measure of their accomplishments:

Silver Star Medal	12
Legion of Merit	3
Navy and Marine Corps Medal	3
Bronze Star Medal	27
Commendation Ribbon	48

The following officers made the supreme sacrifice for their country in that conflict:

KILLED IN ACTION

Lt. Comdr. Hugh R. Alexander, Dental Corps, U.S. Navy, December 7, 1941, U.S.S. *Oklahoma*, Pearl Harbor.

Lt. Edward A. Baumbach, Dental Corps, U.S. Naval Reserve, November 13, 1942, U.S.S. *Juneau*, Guadalcanal.

Lt. Thomas P. Capps, Dental Corps, U.S. Naval Reserve, November 24, 1943, U.S.S. *Liscombe Bay*, Tarawa.

Lt. James S. Gate, Dental Corps, U.S. Naval Reserve, July 25, 1944, 4th Marine Division, Tinian.

Lt. Comdr. Thomas E. Crowley, Dental Corps, U.S. Navy, December 7, 1941, U.S.S. *Arizona*, Pearl Harbor.

Lt. Stanley E. Ekstrom, Dental Corps, U.S. Naval Reserve, October 24, 1944, U.S.S. *Birmingham*, Philippine Islands.

Lt. Gilbert F. Gorsuch, Dental Corps, U.S. Navy, November 12, 1942, U.S.S. *Erie*, Atlantic.

Lt. Comdr. Earl O. Henry, Dental Corps, U.S. Naval Reserve, July 30, 1945, U.S.S. *Indianapolis*, Philippine Islands.

Lt. Charles W. Holly, Jr., Dental Corps, U.S. Navy, March 1, 1942, U.S.S. *Langley*, Indian Ocean.

Lt Comdr. Farrell W. Keith, Dental Corps, U.S. Naval Reserve, March 1, 1942, U.S.S. *Houston*, Java Sea.

Lt. (jg.) Stephen M. Lehman, Dental Corps, U.S. Naval Reserve, July 4, 1944, 4th Marine Division, Saipan.

Lt. (jg.) Thomas R. McIntyre, Dental Corps, U.S. Naval Reserve, October 30, 1944, U.S.S. *Franklin*, Okinawa.

Lt. Edward J. O'Reilly, Dental Corps, U.S. Navy, August 24, 1942, U.S.S. *Astoria*, Solomons.

Lt. (jg.) Carol W. Peterman, Jr., Dental Corps, U.S. Naval Reserve, July 8, 1944, LST–384, France.

Lt. Robert W. Seegar, Dental Corps, U.S. Naval Reserve, May 1, 1945, U.S.S. *Terror*, Okinawa.

Lt. Comdr. Laurice A. Tatum, Dental Corps, U.S. Naval Reserve, September 15, 1942, U.S.S. *Wasp*, Guadalcanal.

Comdr. Wadsworth C. Trojakowski, Dental Corps, U.S. Navy, May 8, 1942, U.S.S. *Lexington*, Coral Sea.

Lt. Miller C. Wonn, Dental Corps, U.S. Naval Reserve, February 21, 1945, U.S.S. *Bismarck Sea*, Iwo Jima.

DIED AS PRISONERS OF WAR

Lt. Comdr. James A. Connell, Dental Corps, U.S. Navy, May 6, 1942, Navy Yard, Cavite, Philippine Islands.

Lt. (jg.) Robert G. Herthneck, Dental Corps, U.S. Navy, May 6, 1942, Navy Yard, Cavite, Philippine Islands.

Lt. Henry C. Knight, Dental Corps, U.S. Navy, May 6, 1942, 4th Marine Regiment, Philippine Islands.

Lt. Alfred F. White, Dental Corps, U.S. Navy, May 6, 1942, U.S.S. *Canopus*, Philippine Islands.

Following demobilization, the dental corps faced its problems—the implementation of Public Law 284, officer retainment and career attractiveness, a broadening educational program, opportunities for dental research, assignment of dentists trained in the Navy V–12 program to the Army and Air Force, and others. In 1946, the U.S. Naval Dental Clinic, Brooklyn, N.Y., was established as the first of 11 such dental installations under the command of a dental officer and under the management control of the Bureau of Medicine and Surgery. The outbreak of the Korean incident in June of 1950 found the dental corps with 1,003 officers on duty and the need for another buildup. The latter was given impetus by passage of the doctors draft law which established priorities for service based on previous military service and training. During the peak, over 1,900 dental officers assisted by 4,700 dental technicians carried on operations at 480 facilities. Frontline dentistry with the marines in Korea was performed either in trucks converted to mobile dental units or in quonset huts.

Ever alert for progressive change, a program was originated in April 1955 that eventually would convert most dental operating units in the Navy to higher speeds. The initial conversions were to belt-driven handpieces and later to turbines. The Dental Corps is proud of its part in the high-speed revolution, inasmuch as the air turbine and ultrasonic vibration instruments developed at the U.S. Naval Dental School played important roles in the radical changes in dental instrumentation during this period. Pioneer models of both instruments are on display at the Smithsonian Institution, U.S. National Museum, Washington, D.C.

As the U.S. Navy entered the nuclear and space age, the Dental Corps was challenged with new problems. The complexities of the new Navy made it imperative that the health of its men be brought to higher levels of perfection to eliminate "every possible cause for impairment of the sense of coordination." Accordingly, new Navy dental research programs were directed toward closed environment and cold weather studies. The former were to better prepare Navy men for trips into outer space, and trips of prolonged periods beneath the seas in nuclear powered submarines. The cold weather studies were in support of the various Navy programs in the Polar regions. A sequel to the latter was the founding of the Antarctic Dental Society by four members of the U.S. Naval Dental Corps in December 1956. In the same year, the Dependents Medical Care (Medicare) Act

became effective. It was of major import in that it made 130,000 dependents at oversea bases and remote areas eligible for routine dental care without authority for compensatory increases in dental personnel. The Dental Corps, however, accepted it in stride.

During the fifties, significant developments in broadening the Dental Corps' education program included: production of a casualty care training manikin, "Mr. Disaster"; publication of a "Color Atlas of Oral Pathology;" and creation of an extension training program covering dental clinic administration, in addition to a series of professional subjects. Another major highlight in the history of the U.S. Naval Dental Corps was marked with the commissioning of the nuclear powered U.S.S. *Long Beach* in September 1961, and in November of the same year, the U.S.S. *Enterprise*. In this manner, dental treatment in the U.S. Navy under nuclear power was initiated as a routine procedure.

Thus, after 50 years of steady progress, the U.S. Naval Dental Corps as an integral component of the Medical Department of the U.S. Navy reflects with due humility upon its previous accomplishments, and passes its heritage as a challenge to the future to maintain its worldwide leadership in the profession of dentistry.

Remarks of Hon. William M. Tuck, of Virginia, at Sayler's Creek Battlefield Park

EXTENSION OF REMARKS

OF

HON. W. J. BRYAN DORN

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, August 28, 1962

Mr. DORN. Mr. Speaker, our distinguished and esteemed colleague, the Honorable WILLIAM M. TUCK, former Governor of Virginia, made an eloquent and exceptionally well received address at the Sayler's Creek Battlefield Park, Va., on August 19.

It was a manifestation of the highest esteem when Governor TUCK was selected to address the huge gathering. Governor TUCK has dedicated a lifetime of devoted service to his great State of Virginia and to the Nation. As a member of the Civil War Centennial Commission, he made a great contribution to the proper commemoration of the gallantry and courage of the soldiers both North and South. In the following splendid address, Governor TUCK paid tribute to the fortitude and loyalty of the southern soldier as he faced the inevitable.

I commend to our colleagues and to the country Governor TUCK's outstanding address:

EXCERPTS OF REMARKS MADE BY REPRESENTATIVE WILLIAM M. TUCK, OF VIRGINIA, AT SAYLER'S CREEK BATTLEFIELD PARK, SUNDAY, AUGUST 19, 1962

Mr. Chairman, ladies, and gentlemen, I am indeed grateful to my friend and colleague, the Honorable WATKINS M. ABBITT, for the gracious and generous introduction which he has given me. I have known WATT ABBITT for many years. I have been closely associated with him in the public life of Virginia for the last 20 years and our associations have been particularly close during the past 10 years as Representatives of adjoining districts in the U.S. Congress. While I am much older than he in years, he is my senior in service at Washington and I lean and rely heavily upon him for counsel and advice in respect to the great problems which confront our Commonwealth and our country. WATT ABBITT is endowed with sterling qualities of character. He is able and energetic. His heart is attuned to the highest public good. He is devoted to the interest of the people of his district and State. He is a firm adherent to the principles which have made our State and Nation great, and it is a tribute to him which he richly merits and deserves to be renominated and reelected to another term in the Congress without opposition either in the Democratic primary or in the general election.

I would at this time also like to commend the citizens of Amelia, Nottoway, and Prince Edward for their cooperation with our State department of conservation and economic development in the establishment of this shrine and in this expression of appreciation of the improvements made by the agencies of the State and local governments. Likewise, I commend the citizens of this section of the State and the various committees for their leadership in rededicating these premises and these surroundings to the gallant men who fought here on that dark sixth day of April 1865.

I am proud to be associated with you on this occasion for I recall that I was a member of the Senate of Virginia in 1934 when former Senator Robert K. Brock, of Prince Edward, introduced the resolution to establish this park and to appropriate the sum of $1,500 to assist in acquiring the property. While still a member of the senate, during the session of 1940, I was glad to join with him and the late distinguished senator from Hanover, the Honorable Henry T. Wickham, in sponsoring a bill appropriating $25,000 for the purchase of additional lands. Senator Brock respects and loves history and appreciates the values that a knowledge of history brings to our citizenship and he has thus wrought well for his section and for his State.

Sayler's Creek Battlefield Park is a State park and is the only State-owned battlefield park in Virginia, and is one of only a few such in the entire United States. This is worthy of comment and notice on this occasion because of the growing spirit of our American people in turning to Washington for financial help and appropriations from a sadly depleted if not indeed exhausted Federal Treasury.

It is a distinct privilege for me to join with you on this occasion because of my love for the Confederacy and for the principles for which it stood and for which our forefathers contended on the field of battle. I am glad to be able to say that both of my grandfathers were Confederate soldiers, and one of them, whose identical name I am proud to bear, commanded and led his company in Pickett's immortal charge at Gettysburg on July 3, 1863.

It is incumbent upon us, the living, to pass on to future generations the story of the Confederacy, to commemorate the battlefields, to decorate and make them as interesting and attractive as we can so that the people, not only of our State, but of the Nation, may come and worship at these shrines and thus enhance and exalt the spirit of patriotism which lingers in the breast of every true American.

The 6th day of April 1865, was a bleak date in the annals of the Army of Northern Virginia. Only a few months back, the bugles of fate had blown taps across the heart of the South. A great many did not hear it, or, if hearing, disbelieved the sound. But in the mud that marked this very spot then, in the sounds of the very realistic artillery, in the bark of the infantry rifles and the spatter of the cavalry pistols, a great many knew that the end could scarcely be delayed beyond the summer that was coming.

But still they stood fast, enough of them, certainly, to hold the thin lines.

Just 4 days prior to that April 6, Lee's lines at Petersburg broke. A less enterprising general, bowing to obvious odds, might have surrendered then. But not the South's leader who on two occasions had taken the Stars and Bars into the land of the enemy and brought it back a symbol for future generations. Lee put his army in motion from Petersburg, heading toward the south and west, hoping to reach Gen. Joseph E. Johnston, still fighting in North Carolina, or at least to gain the protection of the mountains.

On April 5 his troops converged on Amelia Court House, expecting there to find rations, but the rations were missing—they had been captured—and the enemy was threatening. Seven miles to the southwest at Jetersville, Sheridan's cavalry and Griffin's corps were in position to block his retreat. A little farther away were the corps of Humphreys and Wright, all adding up to too much strength for Lee to contest. His only hope was speed, to move his hungry troops faster than the Federals could move, to take them to the southwest toward Rice Station, where he might get supplies from Lynchburg, by way of Farmville, on the Southside Railroad.

But speed could not come from an army that was starving. There had not been much food in the lines at Petersburg. There was none along the roads of southside Virginia over which he had to march. Speed could not come from horses that were too weak to struggle, nor from men who were so weak and tired that many of them dropped helplessly along the wayside.

But Lee, the soldier, hoping to regain the day that had been lost at Amelia, pushed on. He put his sagging troops on the road that night of April 5, directing them due west 12 miles or so toward Rice after which they would head for Farmville, where other supplies should be waiting. It was a slow stumble over crowded roads, where confusion ruled and panic easily was spread. And where human beings, weakened by lack of food and lack of rest, were subject to error.

In the van marched Lee's workhorse, one of his most trusted officers, Gen. James Longstreet. Next came General Anderson and then Gen. Richard Stoddord Ewell. In between them were wagons, long lines of them, awkward carriers slowing the men on foot, and sometimes needing their shoulders to escape from mudholes that had become too much for the weakened horses. The rearguard was under command of Gen. John B. Gordon, another officer as veteran as any of those in front of him.

Lee had nothing to cheer him, save the association of those valiant warriors, and there was certainly no cheer in the note that was found in the shoe of one of two spies captured along the roadside after passing Amelia. It was dated that day at Jetersville by General Grant, and it directed Union General Ord to move at 8 o'clock next morning and to take position from which he could watch the roads between Burkeville and Farmville. "I am strongly of the opinion," wrote Grant, "that Lee will leave Amelia tonight to go south." This message brought the first certain information Lee had that Ord's troops, from the north side of the James, the most distant Federal units, were on his heels.

The note was brought to Lee while he stood at a broken bridge over Flat Creek, just after dining at "Selma," the home of Richard Anderson, 2 miles from Amelia Springs.

Lee realized that speed remained his only tactical weapon. The army must continue throughout the night and on into the day, with only such brief rest as was imperative. But beyond Deatonsville, 5 miles west of

Amelia Springs, all of his troops and all of his vehicles must use the same road. Moreover, another road ran parallel, offering a route from which the Federals could make dashes against his wagon trains.

Longstreet and Lee reached Rice in the forenoon of the 6th. Farmville was 8½ miles away by rail, 7 by the old highway. Awaiting them there was news that 600 to 700 Union cavalrymen had passed up the road toward Farmville.

This was bad news, for it indicated forces had been sent to burn the bridges over the Appomattox. Lee knew he was passing through poor ground for a retreat. The country on either side of the Appomattox, as we know, was rolling and cut by smaller streams. Particularly dangerous was the ground on the approach to Rice, over which still must pass the center and rear guard of his column—Anderson and Ewell and Gordon and the long line of wagons. Over nearly the whole of this landscape grew dark pine woods, broken by scattered plantations and a few small farms—the perfect stage for a military tragedy.

Behind him the divisions still to come up were toiling over the bad roads that led down to the two forks of Sayler's Creek. Continuously in this advance the infantry had to move out and form line of battle to repulse Union cavalry attacks. The energy of the Federals seemed exhaustless. Driven off, they soon galloped back along different roads, heckling, taunting, waiting for the kill.

Immediately behind Ewell and Anderson and ahead of Gordon and the rearguard moved a wagon train. Around eleven o'clock in the morning the attacks on this train came so frequently that Ewell and Anderson ordered their troops to the side of the road to let the wagons move farther toward the head of the column. But the division in advance of Anderson was not notified of this halt, and it kept moving, opening a gap in the line. This gave the Federals an advantage. They dashed in and blocked the road.

Anderson advanced to drive off the enemy, and Ewell went back to turn the wagons to the right along a road that lead to a less exposed lower crossing of Saylers Creek. But Ewell failed to notify Gordon of this change of routes, and Gordon followed the wagons as had been planned, leaving Ewell's rear unprotected.

Here was human failure, failure not characteristic of the Army of Northern Virginia. We must assume the answer—that it was lack of food and loss of sleep.

As soon as the action in front and the diversion of wagons caused Anderson and Ewell and Gordon to become separated, the Federals prepared for attack. It came, and the Confederates fought back. Ewell's troops, about 3,000 clerks and Richmond howitzers and other defenders of smoldering Richmond, including the naval contingent from the James River, fought bravely and madly. The Federals recoiled. At the peak of the fighting, Col. Stapleton Crutchfield, commander of the heavy artillery on hand, fell dead. His body was found lying here on the side of the creek with a bullet through the head.

But the Federals came back, and they came back in greater numbers—Sheridan, Custer, Devin, Crook, Wheaton, Seymour, Getty, Gregg, Humphreys, Wright, and others, all with strong forces. Ewell's and Anderson's commands, with the exception of Wise's brigade and Bushrod Johnson's division, were captured. The command led by Custis Lee, the son of the great southern chieftain, was enveloped, and he surrendered. Ewell was trapped and taken prisoner, but Anderson managed to escape.

Prominent officers on both sides fell. Among the Confederates were Brig. Gen. James Dearing, Col. Reuben B. Boston, and Maj. James W. Thomson. The Federals lost Brig. Gen. Theodore Read, leader of the infantry, and Col. Francis Washburn, commander of the cavalry.

The fighting was so fierce that Anderson quickly lost 1,500 in killed, wounded, and captured. As one Confederate reported, "Everywhere you looked there was a Yankee standing with gun raised and shouting, 'Surrender.'"

After knocking out Anderson and Ewell, the Federals concentrated on Gordon. About 6 o'clock in the evening they struck him heavily in front and on both flanks.

"They struck my command," Gordon reported, "while we were endeavoring to push the ponderous wagon trains through the bog, out of which the starved teams were unable to drag them. Many of the wagons, loaded with ammunition, mired so deep in the mud that they had to be abandoned. It was necessary to charge and force back the Union lines in order to rescue my men."

Gordon's exhausted soldiers broke, got across the creek as best they could and formed again, after a fashion, in the darkness on the west bank.

The total Confederate losses for the day were between 7,000 and 8,000 men, leaving Lee only 15,000 to fight off an army of 80,000 well-fed and well-armed Federals. Percentagewise it was the greatest loss of any battle in the war.

Off on a hill west of the scene of the fighting around Saylers Creek, Lee sat on his horse and looked down on a disaster that was in full view. Teamsters hurried past with their teams and dangling traces—no wagons. Troops retreated without guns, many without hats, a harmless mob. Pressing against them were the massive columns of the enemy.

The immortal Lee straightened in his saddle and exclaimed as if talking to himself: "My God, has the army dissolved?"

Lee still hoped to outmarch the enemy, to cross the Appomattox and burn the bridges behind him, after which his troops would be allowed some much needed rest. When he had reached Rice that morning and learned that several hundred Federals were moving toward Farmville and the bridges across the Appomattox, he sent General Rosser's cavalry to head them off. Near High Bridge, the two forces met, and in the ensuing fighting the Union troops were driven back and nearly 800 of them captured.

Night brought no relief. Scattered commands were gathered in the darkness, and the march was continued. The weather was chilly—snow fell the next day at Burkeville—and this added to the suffering of men who could scarcely drag one leg past the other.

The Confederates got across the Appomattox and set the bridges afire behind them. But the Federals were too close in pursuit. They extinguished the flames before the bridges were badly damaged and dashed across on the heels of Lee's men.

The first of the Southerners to reach Farmville found rations awaiting them in cars standing on the tracks. But before these could be widely distributed, the enemy was pushing in, and the trains were hurriedly sent off in the direction of Lynchburg, in the hope that they might be stopped again at some convenient point on the track that paralleled the road along which the army must renew its retreat.

For the first few miles past Farmville, the road ran northward. Lee's men pushed on. One of their artillerists described the scene:

"Horses and mules dead or dying in the mud. * * * The constant marching and fighting without sleep or food are rapidly thinning the ranks of this grand old army. Men who have stood by their flags since the beginning of the war fall out of their ranks and are captured, simply because it is beyond their power of physical endurance to go any farther."

But some of the men preserved their sense of humor. A famished, ragged North Carolinian was surrounded by Union cavalrymen "Surrender, surrender," they shouted "We've got you."

"Yes," said the North Carolinian, dropping his gun, "you got me, and a hell of git you got."

There is a burning meaning in this soldier's cynical answer. For the man, clothing, and remnants of sinew meant nothing to the point of despisement. He was in the lines—still in the lines responding to some powerful imperatives. Nothing was left of him but the spirit. There is no application of the word "defeat" to such a spirit. The nameless man and the thousands of Confederates about him were precisely as the Greeks at Thermopylae, where the simple inscription says, "Stranger, go tell it in Sparta that we lie here in obedience to her commands."

The meaning shouts down the years and through all the havoc of battle to all men today. People, the lesson tells us, may be killed in the flash and their causes trampled but, paradoxically and wondrously, a triumph is unloosed. It is the triumph of the human spirit which builds from episode to episode, for the elevation of man in his slow and troubled evolution.

The national destiny had run its course. The fates had shown favoritism to the side with the most battalions. But no magic in command of the fates can put iron in the hearts of men, nor drive them willingly beyond endurance and far beyond all bounds of hope to defeat which to them was not defeat at all because their spirits never died.

Lee's army marched on. In a matter of hours the end would come for one of the greatest armies in history, the Army of Northern Virginia, led by a general who even in retreat could show a defiance that kept off an enemy more than five times as numerous as his own army. It had fought its last battle, the last battle fought in Virginia—the battle of Sayler's Creek.

For the southerners who comprised this army's ranks at Appomattox, their dreadful journey's end was at hand. It is engaging, if agonizing, to reflect on what the average Confederate soldier thought of it all in the last few days. But one thing seems certain: He could foresee no possibility of reward and no acclaim at all for what he had endured because a hard fact of life is that no one loves a loser—certainly not in the hour of his losing.

But in the long still grasp of history we know that bravery, fidelity and obedience to the commands of conscience and principle are indestructible. Such examples pile up and down the course of human experience, and fix the standards for human behavior. There, indeed stands the foundation upon which the greatness of our country is based. Few may behave like the Greeks at Thermopylae, or like the tired, muddy men who marched over this spot 97 years ago. But the ideal is left, and there is their own eternal reward. It brings us to the great and arresting soul cry that comes down to us through the ages from the lips of the great Apostle Paul: "I have fought the good fight. I have finished the course. I have kept the faith."

The muddy men who passed over Sayler's Creek moved with no swagger or pose or sense of destiny. And they did not seem to think that they were brave at all; they seemed merely to reason that they were doing what was right and so went about it with no self-consciousness.

Those men who got away from here had no time for soul searching. They crossed the Appomattox River like men stumbling backward. A strange shadow shape of an army it was, the greatness of heart enduring and pounding in the last agonies of life, but with the stare of death in its eyes.

With the lowering of the battle flags at Appomattox went many of the rights, not only of the South, but of the North as well. The sovereignty of the States trembled, at the last cannon blast here and 3 days later at Appomattox, but the principle still lives and patriotic men everywhere, North and South, East and West, are still proclaiming the doctrine of States rights and demanding a resumption of the powers expressly reserved by and guaranteed to the States by our Federal Constitution. Millions of men and women everywhere are beginning to see that an all-powerful Federal Government—destructive of the States and the localities—means nothing but unprecedented regimentation. They realize that unless this centralization of power in Washington is stopped, that our State and local governments will be destroyed and become nothing more than the hollow shells of a lost liberty. These millions of people are ready and willing to struggle today against the forces of totalitarianism. They recognize it is not a sectional fight between the North and South, but a fight for the preservation of the liberties and the freedoms and the principles of government established on the soil of Virginia and enshrined in our Virginia bill of rights.

We realize that we must fight today by peaceful methods just as valiantly as our forefathers fought in the Revolution and our grandfathers fought in the cause of the Confederacy. The fate of the entire free world rests on the outcome of our struggle.

The Federal encroachments upon the rights and the powers of the States and the localities have become startling and alarming. For a while the movement was so stealthy and creeping that it was intangible and invisible to the average citizen, but today these encroachments are open and bold and brazen and are moving at a fantastic pace.

Here in this land of the free and home of the brave, the representatives chosen by the people are being bypassed and thwarted not only by Executive and administrative edicts, but by orders and decrees of the Federal courts as well. Departments and agencies of the Federal Government are writing much of the legislation by making rules and regulations having the force and the effect of law. The Federal Government, principally through the Department of Justice, the very agency charged with the responsibility for enforcing the Federal laws, is usurping the police powers of the State and local governments and is hindering and thwarting the local governments in their efforts to suppress public mischief and to promote peace and harmony as is illustrated by actions in Albany, Ga., and in other southern localities. The people are subjected to propaganda by the ever-growing agencies of the Federal Government, payment for same being made from money extracted from the pained pockets of the taxpayers, to glorify the welfare state and to brainwash the very people upon whom these burdens of government rest.

The American citizen is being subjected to a barrage of false and spurious doctrine. The people are being led into a socialistic pit of no return by promises of a utopian life of ease guaranteed by the Federal Government. We are called upon and commanded to support a Federal horde of national and international spenders.

They have little or no respect for the rights of American citizens and are nothing more than wastrels and squanderers of the peoples' money and are by such means undertaking to undermine the moral fiber and character of American citizenship. We must resist with all our might the one-worlders, the deluded do-gooders, the conformists and the national and international brainwashers and spenders.

But we can find encouragement from the fact that there is evidence of a real awakening of the spirit of patriotism and independence in this country.

Virginia and the Southland leads the Nation in defense of constitutional government. We are on the verge and the threshold of a great awakening in the South, and I believe in the Nation, to the dangers of the various isms which threaten to envelop us. In scores of southern communities, thousands of citizens led by our junior chambers of commerce, our Farm Bureau organizations, and other patriotic groups are busy educating themselves regarding the flagitious forces operating within our shores. They are engaged in programs and seminars designed to give them factual information regarding the activities of the extreme leftists in the United States. This is a remarkable enterprise that has no precedent in the history of the country. For the first time entire communities, not simply a handful of individuals, are gaining sophisticated understanding of the methods of operation employed by these destroyers of our Government and American way of life. It is an imperious task of the conservatives in every community of this country to keep vital patriotic issues alive. Every alert citizen holds an obligation to his community and his country to be zealous and to stress the crises America faces and the need for building up the fires of righteous indignation against any program that is destined to damage our country, or constitutes a sell-out of this great Republic. Informed and determined citizens will emphasize the dangers which we face and take steps to repulse those who would enslave us by destruction of the principles of government which have guided the destiny of this Nation through its long and glorious history.

As we stand here today in the presence of so many resolute and unwaivering citizens of Prince Edward, we can discern echoes of counsel and encouragement from that valiant and sturdy citizenship. God bless old Prince Edward. She is populated by people of stamina who are willing to sacrifice and endure hardship in order to preserve their liberties and the right to educate and train their own children.

I commend and I applaud the people of Prince Edward for the leadership which they have established and which has guided them with courage, calmness, and dignity through the trials and tribulations of the last 10 years. Prince Edward is dealing with a force with which there is no compromise short of complete surrender and submission to the destruction of everything we hold dear. Virginians will never consent to the reformation of our State and local governments to conform to the horrible mess which we daily witness in Washington.

As long as this dear old picturesque southside Virginia county is guided by the patriotic and intelligent leadership which has guided them for at least the past 10 years, I pledge to them my full and complete cooperation and support in every appropriate manner to promote the peace, the tranquillity, and the happiness and rights of her people.

HOUSE OF REPRESENTATIVES

WEDNESDAY, AUGUST 29, 1962

The House met at 11 o'clock a.m.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Daniel 9: 3: *I set my face unto the Lord God, to seek by prayer and supplications.*

Almighty God, when we inspect and examine our soul, in these moments of prayer and meditation, we find that the poverty of our spiritual life is appalling.

It seems as if a blight of palsy has fallen upon our spirit and we are not seeing life in its true perspective.

We humbly confess that when we are courageous enough to call ourselves to account we feel that our despair and defeat are due largely to our preoccupation with things that are merely material.

Inspire us to give life a more spiritual frontage lest we lose the meaning of our nearby tasks and responsibilities and suffer loss alike in peace and in power.

Help us daily to cultivate the prayer life and give us such a clear vision that we shall be enabled to discharge our duties intelligently and forcefully.

To Thy name we ascribe all the glory. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday, August 28, 1962, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 3327. An act to make certain federally impacted areas eligible for assistance under the public facility loan program.

The message also announced that the Senate agrees to the amendment of the House to the amendment of the Senate to a bill of the House of the following title:

H.R. 10743. An act to amend title 38, United States Code, to provide increases in rates of disability compensation, and for other purposes.

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 (H.R. 10062) entitled "An act to extend the application of certain laws to American Samoa."

The message also announced that Mr. BUTLER had been appointed a conferee on the bill (S. 320) entitled "An act to amend the provisions contained in part II of the Interstate Commerce Act concerning registration of State certificates whereby a common carrier by motor vehicle may engage in interstate and foreign commerce within a State" in place of Mr. CASE of New Jersey, excused.

CALL OF THE HOUSE

Mr. GROSS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.