A. D. S. Mitchell Associates, 1028 Connecticut Avenue, Washington, D.C.
B. National Council of Officers of State Teachers Associations, Baton Rouge, La.

A. Thomas F. Mitchell, 1725 I Street NW., Washington, D.C.
B. Georgia-Pacific Corp., Box 311, Portland, Oreg.

A. Curt Moody, 2244 South Western Avenue, Los Angeles, Calif.
B. Friends Committee on National Legislation, 245 Second Street NE., Washington, D.C.

A. Bernard Moss, 710 14th Street NW., Washington, D.C.
B. National Association of Government Employees, 285 Dorchester Avenue, Boston, Mass.

A. National Audio Visual Association, 3150 Spring, Fairfax, Va.

A. Ben Paul Noble, 2022 R Street NW., Washington, D.C.
B. Hallmark, Inc.; Westminster; Time Corp.; Phoenix Inc.; and Stratton Watch Corp.; all of Agana, Guam.

A. Richard C. O'Hare & James H. Rowe, Jr., 1120 Investment Building, Washington, D.C.
B. Harness Tracks of America, 333 North Michigan Avenue, Chicago, Ill.

A. Robert Oliver, 400 First Street NW., Washington, D.C.
B. Brotherhood of Railway Clerks, 1015 Vine Street, Cincinnati, Ohio.

A. D. V. Pensabene, 1700 K Street NW., Washington, D.C.
B. Standard Oil Co. of California, 1700 K Street NW., Washington, D.C.

A. Bruce O. Pike, 400 First Street NW., Washington, D.C.
B. Railway Labor Executives' Association, 400 First Street NW., Washington, D.C.

A. Thomas W. Power, 1414 I Street NW., Washington, D.C.
B. American Restaurant Institute, 1414 I Street NW., Washington, D.C.

A. Prestige Public Relations, Inc., 8560 Sunset Boulevard, Los Angeles, Calif.

B. Youth in Service to Humanity, 15720 Ventura Boulevard, Encino, Calif., and Joshua Enterprises, Inc., 10889 Wilshire Boulevard, Los Angeles, Calif.

A. Earl F. Rieger, 400 First Street NW., Washington, D.C.
B. William C. Doherty & Associates, 400 First Street NW., Washington, D.C.

A. Robert E. Reiser, 6649 Holland Street, McLean, Va.
B. National Association of Plumbing-Heating-Cooling Contractors, 1016 20th Street NW., Washington, D.C.

A. Kenneth A. Roberts, 423 Washington Building, Washington, D.C.
B. American Podiatry Association, 3301 16th Street NW., Washington, D.C.

A. Mrs. Edward F. Ryan, 110 Bridge Street, Manchester, Mass.
B. National Congress of Parents & Teachers, 700 North Rush Street, Chicago, Ill.

A. Scribner, Hall & Casey, 1200 18th Street NW., Washington, D.C.
B. Committee for an Interstate Taxation Act, 1209 Ring Building, Washington, D.C.

A. Ashley Sellers, 1625 K Street NW., Washington, D.C.
B. General Time Corp., 355 Lexington Avenue, New York, N.Y.

A. Seventeen Eighty-Nine, Inc., 1226 36th Street NW., Washington, D.C.

A. A. Z. Shows, 1800 Connecticut Avenue NW., Washington, D.C.
B. Wilmac Corp., 1800 Connecticut Avenue NW., Washington, D.C.

A. Carl A. Soderblom, 1 East First Street, Reno, Nev.
B. Nevada Railroad Association, 1 East First Street, Reno, Nev.

A. Melvin L. Stark, 837 Washington Building, Washington, D.C.
B. American Insurance Association, 110 William Street, New York, N.Y.

A. Steptoe & Johnson, 1250 Connecticut Avenue NW., Washington, D.C.
B. International Telephone & Telegraph Corp., 320 Park Avenue, New York, N.Y.

A. Steptoe & Johnson, 1250 Connecticut Avenue NW., Washington, D.C.
B. Texaco Inc., 135 East 42d Street New York, N.Y.

A. Eugene L. Stewart, 1001 Connecticut Avenue, Washington, D.C.
B. American Aniline Products, Inc., 25 McLean Boulevard, Paterson, N.J.

A. Eugene L. Stewart, 1001 Connecticut Avenue, Washington, D.C.
B. Seventeen Eighty-Nine, Inc., 1226 36th Street NW., Washington, D.C.

A. Strasser, Spiegelberg, Fried, Frank & Kamplman, 1700 K Street NW., Washington, D.C.
B. Manpower, Inc., 820 North Plankinton Avenue, Milwaukee, Wis.

A. Strasser, Spiegelberg, Fried, Frank & Kampelman, 1700 K Street NW., Washington, D.C.
B. Wards Co., Inc., 1705 Brook Road, Richmond, Va.

A. Surrey, Karasik, Gould & Greene, 1116 Woodward Building, Washington, D.C.
B. Parsons & Whittemore, Inc., 200 Park Avenue, New York, N.Y.

A. C. Braxton Valentine, Jr., 1309 State-Planters Bank Building, Richmond, Va.
B. Theodore A. Mangelsdorf, Cumberland Farm, New Kent County, Va.

A. George C. Van Nostrand, 1010 16th Street NW., Washington, D.C.
B. Eaton Yale & Towne, Inc., 100 Erieview Plaza, Cleveland, Ohio.

A. Clarence M. Weiner, 350 Fifth Avenue, New York, N.Y.
B. Cigar Manufacturers Association of America, Inc., 350 Fifth Avenue, New York, N.Y.

A. Wilmer, Cutler & Pickering, 900 17th Street NW., Washington, D.C.
B. Safety Administrative Committee of Automobile Manufacturers Association, 320 New Center Building, Detroit, Mich.

A. Robert Winter-Berger, 123 East 75th Street, New York, N.Y.
B. The World Calendar Association, Post Office Box 224, Lenox Hill Station, New York, N.Y.

A. Edmund N. Wise, 729 15th Street NW., Washington, D.C.

B. National Association of Home Builders, 1625 L Street NW., Washington, D.C.

A. John H. Yingling, 905 16th Street NW., Washinngton, D.C.
B. American Football League, 280 Park Avenue, New York, N.Y.

A. John H. Yingling, 905 16th Street NW., Washington, D.C.
B. National Association of Business Development Corps., 45 Milk Street, Boston, Mass.

SENATE

MONDAY, AUGUST 22, 1966

The Senate met at 12 o'clock meridian, and was called to order by the Acting President pro tempore (Mr. METCALF).

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

O merciful God, whose law is truth and whose statutes stand forever, we beseech Thee to grant unto us, who in the morning seek Thy face, the benediction which a sense of Thy presence lends to each new day. Unite our hearts and minds to bear the burdens that are laid upon us. Grant us this day the grace to live on the altitudes of our aspirations. As servants of Thine and of the Nation, and of the peoples of this shattered and stricken earth, save us from false choices, and guide our hands and minds to heal and bind, and build, and bless.

We ask it in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Friday, August 19, 1966, was dispensed with.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Jones, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The ACTING PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, and withdrawing the nomination of Frank T. Ashton to be postmaster at Preston, Minn., which nominating messages were referred to the appropriate committees.

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

REPORT OF A COMMITTEE

The following report of a committee was submitted:

By Mr. FULBRIGHT, from the Committee on Foreign Relations, with amendments:

S. 3418. A bill to amend further the Peace Corps Act (75 Stat. 612), as amended, and for other purposes (Rept. No. 1486).

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

BILLS INTRODUCED

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

By Mr. HART:

S. 3748. A bill to provide that the Federal office building to be constructed in Detroit, Mich., shall be named the "Patrick V. McNamara Federal Office Building" in memory of the late Patrick V. McNamara, a U.S. Senator from the State of Michigan from 1955 to 1966; to the Committee on Public Works.

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

By Mrs. SMITH:

S. 3749. A bill to authorize the use of the vessel *Annie B.* in the coastwise trade; to the Committee on Commerce.

By Mr. RANDOLPH:

S. 3750. A bill for the relief of Martha Blankenship; to the Committee on the Judiciary.

By Mr. CHURCH:

S. 3751. A bill to authorize the Secretary of Agriculture to exchange for national forest purposes certain lands in the State of Idaho; to the Committee on Agriculture and Forestry.

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

WAIVER OF CALL OF THE CALENDAR

Mr. PROXMIRE. Mr. President, under rule VIII, I ask unanimous consent to waive the call of the calendar of measures that are not objected to.

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

COMMITTEE MEETINGS DURING SENATE SESSION

On request of Mr. MANSFIELD, and by unanimous consent, the Subcommittee on Executive Reorganization of the Committee on Government Operations was authorized to meet during the session of the Senate today.

On request of Mr. PROXMIRE, and by unanimous consent, the Subcommittee on Fiscal Affairs of the Committee on the District of Columbia was authorized to meet during the session of the Senate today.

LIMITATION ON STATEMENTS DURING THE TRANSACTION OF ROUTINE MORNING BUSINESS

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

PROPOSED DESIGNATION OF NEW FEDERAL OFFICE BUILDING IN DETROIT, MICH., AS THE "PATRICK V. McNAMARA FEDERAL OFFICE BUILDING"

Mr. HART. Mr. President, I send to the desk, and ask it be appropriately referred, a bill to provide that the new Federal office building to be constructed in Detroit, Mich., be named the "Patrick V. McNamara Federal Office Building."

On past occasions Congress has recognized in this fashion Members who have made a significant contribution. It is especially appropriate that we do so in the case of Senator McNamara who, as chairman of the Senate Public Works Committee, added so much to the Nation's well-being.

He left his mark in many fields of our lives. This magnificent new building in his home city will be a solid reminder of one who spent himself in the service of the people of his State and Nation.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3748) to provide that the Federal office building to be constructed in Detroit, Mich., shall be named the "Patrick V. McNamara Federal Office Building" in memory of the late Patrick V. McNamara, a U.S. Senator from the State of Michigan from 1955 to 1966, introduced by Mr. HART, was received, read twice by its title, and referred to the Committee on Public Works.

IDAHO FOREST LAND EXCHANGE BILL

Mr. CHURCH. Mr. President, it has been the long-range objective of both State and Federal Government to achieve efficient management of the public forests. In my own State of Idaho, there are approximately 20,200,000 acres of federally owned forests and 1,300,000 acres of State-owned forests.

Many parcels of State-owned forest lands in Idaho are adjacent to, and contiguous with, national forest lands.

Sound conservation methods and good management techniques can be applied to larger, consolidated tracts of forest lands far more economically and efficiently than to small, scattered parcels.

In order to allow for more efficient management by the Idaho State Department of Forestry, the U.S. Forest Service has been cooperating in a program of land exchanges between the State and the Federal Government. Ultimate aim of the program is to consolidate State forest lands into tracts of not less than 5,000 acres each.

The program has worked most successfully. But a minor technical problem has arisen. Under existing language of the General Exchange Act of 1922, the Secretary of Agriculture is barred from accepting, in exchange, any lands lying outside the boundaries of a national forest. Many of the small parcels of State forest land which Idaho seeks to turn over to the Federal Government in exchange for national forest lands bordering larger tracts of State land are adjacent to national forest boundaries on one side only, while others adjoin on two or even three sides.

It is to permit Idaho to apply the most efficient means of managing its own forest lands—a move that will also have beneficial effects upon adjacent national forest lands—that I now introduce a bill to amend the General Exchange Act of 1922.

My bill would authorize the Secretary of Agriculture to accept in exchange, on behalf of the United States, State-owned lands that are not within the boundaries of a national forest but that are contiguous to a national forest.

Idaho State Land Commissioner O. J. Buxton tells me that this amendment is agreeable to both the State of Idaho and the U.S. Forest Service. The measure is designed to allow such forest land exchanges, in the interest of sound forest management, only between the State of Idaho and the Federal Government, and would have no other effect upon existing provisions of the General Exchange Act.

I send this bill to the desk, Mr. President, and ask that it be referred to the appropriate committee.

The ACTING PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3751) to authorize the Secretary of Agriculture to exchange for national forest purposes certain lands in the State of Idaho, introduced by Mr. CHURCH, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

ADDITIONAL COSPONSOR OF BILL

Mr. MILLER. Mr. President, I ask unanimous consent that, at its next printing, the name of the Senator from Colorado [Mr. ALLOTT] be added as a cosponsor of the bill (S. 3702) to amend the Social Security Act, as amended, to further define "reasonable costs" for extended-care facilities, and for other purposes.

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

EVIDENCE OF FINANCIAL SECURITY AND OTHER INFORMATION REQUIRED OF CERTAIN OPERATORS OF OCEAN CRUISES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1447, H.R. 10327.

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

The LEGISLATIVE CLERK. A bill (H.R. 10327) to require operators of ocean cruisers by water between the United States, its possessions and territories, and foreign countries to file evidence of financial security and other information.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Commerce with an amendment to strike out all after the enacting clause and insert:

That section 4400 of the Revised Statutes, as amended (46 U.S.C. 362) is hereby further amended by designating the existing section as subsection (a) and by adding new subsections (b) and (c) as follows:

"(b) Owners, operators, agents, or any persons selling passage on a foreign or domestic passenger vessel of one hundred gross tons or over having berth or stateroom accommodations for fifty or more passengers and embarking passengers at United States ports for a coastwise or an international voyage shall notify each prospective passenger of the fire safety standards with which the vessel complies or does not comply in a manner pre-

scribed by regulations promulgated in accordance with this subsection. In addition, all promotional literature or advertising in or over any medium of communication within the United States offering passage or soliciting passengers for ocean voyages anywhere in the world shall include similar information as a part of the advertisement or description of the voyage in a manner prescribed by the same regulations. The Secretary of the Department in which the Coast Guard is operating is authorized to promulgate regulations to implement the provisions of this subsection. For each violation of regulations so promulgated, the owner, operator, agent, or other person involved shall be subject to a civil penalty of not more than $10,000 for which the vessel on which passage is to be or is sold shall be liable. If tickets are sold, the owner, operator, agent, or any other person involved in each violation of regulations so promulgated shall also be subject to a civil penalty of $500 for each ticket sold for which the vessel on which passage is sold shall be liable.

"(c) Notwithstanding the provisions of subsection (a) of this section, any foreign or domestic vessel of over one hundred gross tons, having berth or stateroom accommodations for fifty or more passengers, shall be subject to inspection by the Department in which the Coast Guard is operating and shall not depart a United States port with passengers who embarked at that port if the Secretary of that Department finds each vessel to be unsafe."

SEC. 2. (a) Each owner or charterer of an American or foreign vessel having berth or stateroom accommodations for fifty or more passengers, and embarking passengers at United States ports, shall establish, under regulations prescribed by the Federal Maritime Commission, his financial responsibility to meet any liability he may incur for death or injury to passengers or other persons on voyages to or from United States ports, in an amount based upon the number of passenger accommodations aboard the vessel, calculated as follows:

$20,000 for each passenger accommodation up to and including five hundred; plus

$15,000 for each additional passenger accommodation between five hundred and one and one thousand; plus

$10,000 for each additional passenger accommodation between one thousand and one and one thousand five hundred; plus

$5,000 for each passenger accommodation in excess of one thousand five hundred:

Provided, however, That if such owner or charterer is operating more than one vessel subject to this section, the foregoing amount shall be based upon the number of passenger accommodations on the vessel being so operated which has the largest number of passenger accommodations. This amount shall be available to pay any judgment for damages, whether in amount less than or more than $20,000 for death or injury occurring on such voyages to any passenger or other person. Such financial responsibility may be established by any one of, or a combination of, the following methods which is acceptable to the Commission: (1) policies of insurance, (2) surety bonds, (3) qualifications as a self-insurer, or (4) other evidence of financial responsibility.

(b) If a bond is filed with the Commission, then such bond shall be issued by a bonding company authorized to do business in the United States or any State thereof or the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, or any territory or possession of the United States.

(c) Any person who shall violate this section shall be subject to a civil penalty of not more than $5,000 in addition to a civil penalty of $200 for each passage sold, such penalties to be assessed by the Federal Maritime Commission. These penalties may be remitted or mitigated by the Federal Maritime Commission upon such terms as they in their discretion shall deem proper.

(d) The Federal Maritime Commission is authorized to prescribe such regulations as may be necessary to carry out the provisions of this section. The provisions of the Shipping Act, 1916, shall apply with respect to proceedings conducted by the Commission under this section.

(e) The collector of customs at the port or place of departure from the United States of any vessel described in subsection (a) of this section shall refuse the clearance required by section 4197 of the Revised Statutes (46 U.S.C. 91) to any such vessel which does not have evidence furnished by the Federal Maritime Commission that the provisions of this section have been complied with.

SEC. 3. (a) No person in the United States shall arrange, offer, advertise, or provide passage on a vessel having berth or stateroom accommodations for fifty or more passengers and which is to embark passengers at United States ports without there first having been filed with the Federal Maritime Commission such information as the Commission may deem necessary to establish the financial responsibility of the person arranging, offering, advertising, or providing such transportation, or in lieu thereof a copy of a bond or other security, in such form as the Commission, by rule or regulation, may require and accept, for indemnification of passengers for nonperformance of the transportation.

(b) If a bond is filed with the Commission, such bond shall be issued by a bonding company authorized to do business in the United States or any State thereof, or the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands or any territory or possession of the United States and such bond or other security shall be in an amount paid equal to the estimated total revenue for the particular transportation.

(c) Any person who shall violate this section shall be subject to a civil penalty of not more than $5,000 in addition to a civil penalty of $200 for each passage sold, such penalties to be assessed by the Federal Maritime Commission. These penalties may be remitted or mitigated by the Federal Maritime Commission upon such terms as they in their discretion shall deem proper.

(d) The Federal Maritime Commission is authorized to prescribe such regulations as may be necessary to carry out the provisions of this section. The provisions of the Shipping Act, 1916, shall apply with respect to proceedings conducted by the Commission under this section.

(e) The collector of customs at the port or place of departure from the United States of any vessel described in subsection (a) of this section shall refuse the clearance required by section 4197 of the Revised Statutes (46 U.S.C. 91) to any such vessel which does not have evidence furnished by the Federal Maritime Commission that the provisions of this section have been complied with.

SEC. 4. Subsection (b) of section 5 of the Act of May 27, 1936 (49 Stat. 1384; 46 U.S.C. 369), is amended by adding at the end thereof the following: "After November 1, 1968, no passenger vessel of the United States of one hundred gross tons or over, having berth or stateroom accommodations for fifty or more passengers, shall be granted a certificate of inspection by the Coast Guard unless the vessel is constructed of fire-retardant material. The structural fire protection provided on these vessels shall conform to the requirements set forth in regulations for a vessel contracted for on or after May 28, 1936."

SEC. 5. The new subsection (b) of section 4400 of the Revised Statutes and section 3 of this Act shall become effective one hundred and twenty days after enactment of this Act. The new subsection (c) of section 4400 of the Revised Statutes shall become effective upon the date of enactment of this Act. Section 2 of this Act shall become effective six months after enactment of this Act. Section 4 of this Act shall become effective on November 2, 1968.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

The title was amended, so as to read: "An Act to require evidence of adequate financial responsibility to pay judgments for personal injury or death, or to repay fares in the event of nonperformance of voyages, to establish minimum standards for passenger vessels and to require disclosure of construction details on passenger vessels, and for other purposes."

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1483), explaining the purposes of the bill.

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

PURPOSES AND BRIEF SUMMARY

The purposes of this bill are: (1) to promote the adherence to modern fire safety standards by all passenger vessels and (2) to insure financial responsibility on the part of shipowners and operators to pay judgments for personal injury or death and to repay fares in the event of nonperformance of voyages.

In summary, the bill—as reported by the committee in the form of an amendment in the nature of a substitute—contains five essential provisions relating to safety of life at sea. These are:

(1) A provision which would require disclosure of vessel safety standards on all advertisement and promotional literature offering passage on ocean voyages.

(2) Authority for the Secretary of the department in which the Coast Guard is operating to exclude from U.S. ports foreign and domestic passenger vessels which he deems to be unsafe.

(3) A provision that owners and charterers of passenger vessels be required to establish their financial responsibility to meet liability incurred by death or injury of passengers.

(4) A provision for financial responsibility on the part of passenger ship operators in order to protect against passengers being stranded when a vessel fails to make its contracted sailing.

(5) A requirement that U.S. "grandfather clause" vessels (those built before 1936) be required to meet modern U.S. standards by November 1, 1968.

LEGISLATIVE BACKGROUND

H.R. 10327 was passed by the House of Representatives on October 5, 1965, following extensive hearings held in August of 1965. The passage of this bill preceded by nearly 2 months the disastrous fire aboard the S.S. *Yarmouth Castle*. H.R. 10327 dealt primarily with financial responsibility for indemnification of passengers stranded for nonperformance of contracted voyages, but it also contained provisions relating to safety of cruise ships. Following the *Yarmouth Castle* disaster the administration proposed two bills, S. 3250 and S. 3251. The Committee on Commerce held 5 days of hearings on safety of life at sea and determined that the majority of the provisions of S. 3250 and S. 3251 should be included as part of an amendment to H.R. 10327.

NEED FOR THE LEGISLATION

On November 13, 1965, disaster struck the 38-year-old Panamanian-flag cruise ship SS *Yarmouth Castle* when fire swept the ship resulting in the loss of 90 lives. Then on April 8, 1966, Good Friday, the Norwegian-flag cruise ship MS *Viking Princess* caught fire during a Caribbean cruise forcing passengers and crew to abandon ship. Both of these vessels were operating in the lucrative Caribbean cruise trade and the vast majority of passengers were U.S. citizens. However, these are not the only examples of marine disasters encountered by foreign-flag vessels. In December 1963, the 33-year-old Greek-flag ship SS *Lakonia* sailed from Southampton, England, on a Christmas cruise which turned into a fiery disaster. The *Lakonia* burned and sank off Madeira Island with a loss of 125 lives. These shipboard fires have dramatically pointed up the need for an upgrading in fire safety standards on older passenger vessels.

It was the task of the Commerce Committee to determine the extent to which additional Federal laws could contribute to the improvement of safety standards on foreign and domestic passenger ships. To that end, the committee held 5 days of hearings, calling upon witnesses from the Coast Guard, Department of State, Maritime Administration, Federal Maritime Commission, and representatives of domestic and foreign passenger lines.

International fire safety standards are presently contained in the 1960 Safety of Life at Sea Convention (SOLAS) to which the United States is a signatory. However, this document like its predecessor, the 1948 SOLAS Convention, exempts ships built before the effective date of the convention from meeting the convention's fire safety standards for new vessels. With regard to existing ships, each of these conventions contains a specific clause stating that:

"In the case of existing ships which do not already comply with the provisions relating to new ships, the arrangements on each ship shall be considered by the administration (of the country concerned), with a view to improvements being made to provide increased safety where practicable and reasonable."

This "reasonable and practicable" clause has enabled many of the pre-1948 ships to operate without conforming to the improved standards of the modern conventions. Such vessels are thus protected by so-called grandfather clauses.

SOLAS 1960 requires that each contracting government make the required inspections of its vessels to determine that they comply with the regulations of the SOLAS Convention. Upon completion of such an inspection, the contracting government issues a safety certificate indicating that the vessel complies with SOLAS requirements. All contracting governments must accept certificates issued by another contracting government unless clear grounds exist for finding that the vessel does not substantially comply with the particulars of the certificate. Thus, as a signatory to the 1960 SOLAS Convention, the United States must accept a foreign vessel's certificate if the Coast Guard inspector is satisfied that the vessel is in reasonable compliance with the SOLAS Convention standards.

A large number of foreign-flag vessels operate under the grandfather rights of the SOLAS Convention. In regard to U.S.-flag vessels modern fire safety standards have been in effect since 1936. While there are no U.S. grandfather clause vessels operating on the high seas, two such vessels operate on inland waters. H.R. 10327, as amended, will require these vessels to meet modern U.S. fire safety standards.

The committee found the problem of grandfather clause foreign-flag passenger vessels to be extremely critical in the cruise trade. Here some 90 percent of the over 350,000 persons boarding cruise vessels at U.S. ports were Americans, but only about 40,000 of these passengers sailed on U.S.-flag vessels.

The dependence upon American citizens to provide the bulk of passengers for the cruise trade deeply impressed the committee. Such a situation, the committee felt, gave the United States a singular responsibility to insure the safety at sea for these passengers originating at an American port and, in most cases, U.S. citizens. However, an American traveling on an ocean voyage which is not part of the cruise trade should not be subjected to any lesser degree of safety requirements than his fellow passenger traveling in the cruise trade. Thus H.R. 10327, as amended, covers all passenger vessels, not just those which are operating in the cruise trade.

Following the *Yarmouth Castle* fire, the U.S. Government requested a special meeting of the Maritime Safety Committee of the Intergovernmental Maritime Consultive Organization (IMCO), the United Nations body which administers the 1960 SOLAS Convention. This request was granted, and a special meeting was convened in London on May 3–10. At the conclusion of this conference, the delegates reached agreement on several proposed amendments to the 1960 convention, and these will be forwarded to the assembly of IMCO for consideration at a special meeting called for this purpose later this year.

These proposed amendments would require that those vessels constructed prior to the effective date of the 1948 convention substantially comply with 1948 standards and in several respects meet standards which go beyond the 1948 standards. With regard to vessels built after the effective date of the 1948 convention, several amendments provide for upgrading even these vessels. Thus, when the newly proposed amendments become effective, the grandfather clause will be eliminated insofar as fire safety is concerned. While these amendments will mean substantial improvement of international fire safety standards, they will not become effective until 1 year following acceptance by two-thirds of the contracting governments. However, the Maritime Safety Committee recommends at its London conference that all nations enact as legislation the new amendments as soon as possible.

The bill, as amended, contains, in addition to its original coverage of financial responsibility, several provisions contained in S. 3250 and S. 3251, introduced by the chairman of the committee at the request of the administration. The committee believes that H.R. 10327, as amended, will provide effective legislation to supplement the 1960 SOLAS Convention and at the same time provide the necessary safeguard for U.S. citizens desiring to travel on domestic and foreign-flag ships. As amended, this bill will insure that all passengers are given ample warning of the fire safety standards to which a vessel complies. Such a disclosure will, in all probability, force the owners of vessels which fail to comply with modern safety standards to upgrade their vessels or remove them from U.S. trade routes. In addition, the bill, as amended, requires owners and operators to maintain adequate assets or insurance so that they will be financially responsible to pay judgments for death or injury to passengers or other persons. The committee contemplates that this latter provision will have the added feature of increasing insurance cost to operators of those vessels not complying with modern standards so as to make the vessels' continued operation economically unfeasible without an upgrading of safety standards.

In addition to the lack of modern fire safety standards on many foreign vessels, several instances were brought to the attention of the committee where prospective passengers were left stranded on the pier owing to the cancellation of scheduled sailings. Notable among these unfortunate instances was the cancellation of the scheduled ocean cruise from New York to the Caribbean of the ill-fated M.S. *Viking Princess*, then known as the M.S. *Rivera Prima*, on August 14, 1964. This cancellation left some 350 passengers stranded. Two weeks earlier a similar incident was reported concerning the sudden cancellation of the scheduled ocean cruise of the disaster bound S.S. *Yarmouth Castle* of Panamanian registry. For both of these vessels, the passengers, mostly American citizens, were left on the dock without recourse to recover their passage moneys which had been paid in advance. H.R. 10327, as amended, will insure that these incidents do not occur in the future.

VESSELS SUBJECT TO THIS LEGISLATION

H.R. 10327, as amended, is limited to vessels having berth or stateroom accommodations for 50 or more passengers because there appears to be no present need for regulating overnight fishing boats, ferry boats, and day cruisers. The vessel classification used in this legislation is identical to that contained in the so-called sprinkler act (46 U.S.C. 464) requiring sprinklers on certain vessels.

It is also the intent of the committee that as used in the act the term United States is to also include the Commonwealth of Puerto Rico, the Virgin Islands, and any territories or possessions of the United States.

SECTION-BY-SECTION ANALYSIS

Section 1

Disclosure of Fire Safety Standards

This provision was proposed by the administration and provides that owners, operators, agents, or any persons selling passage on a foreign or domestic passenger vessel of over 100 gross tons and with berthing capacity for more than 50 passengers must disclose to each prospective passenger the fire safety standard with which the vessel complies or does not comply. This disclosure must be present on or in all promotional literature or advertising whatever the means of communication employed.

The manner and exact content of the disclosure of fire safety standards will be prescribed in regulations promulgated by the Secretary of the department in which the Coast Guard is operating and shall apply to all prescribed vessels embarking passengers at U.S. ports for a coastwise or international voyage.

Violation of the Secretary's regulations would subject the owner, operator, or other person involved to a civil penalty of not more than $10,000 and the vessel on which the passage is to be sold or is sold would be liable for this penalty. In addition, if tickets are sold, a violation of the regulation will subject the person involved to a civil penalty of $500 for each ticket sold and the vessel on which passage is sold will be liable for this penalty.

The committee does not intend that this disclosure provision be used to discriminate against foreign passenger vessels. The Secretary is expected to emphasize the fire safety deficiencies of those vessels which have been exempted from modern international safety standards because of existing "grandfather" clauses in the 1948 or 1960 Safety of Life at Sea Convention. The committee contemplates use of the standards adopted as amendments to the 1960 Safety of Life at Sea Convention at the 13th session of the Maritime Safety Committee of the Inter-Governmental Maritime Consultive Organization (IMCO), held at IMCO headquarters, London, England, May 3–10, 1966, as guides in establishing disclosure regulations. However, as improvements occur in the establishment of fire safety standards, disclo-

sure requirements would be expected to reflect such improvements.

Vessel Inspection

Section 1 also empowers the Secretary of the department in which the Coast Guard is operating to inspect all foreign or domestic vessels of over a hundred gross tons and which have berth or stateroom accommodations for 50 or more passengers. If the Secretary finds any such vessel to be unsafe, then that vessel can be refused permission to depart a U.S. port with passengers embarking at that port.

It is not the intent of the committee to unduly interrupt existing international passenger travel or to interfere with U.S. obligations under existing international agreements. However, the committee does desire effective protection for U.S. citizens during the interim period necessary before proposed amendments to the 1960 Safety of Life at Sea Convention are ratified and become effective.

This provision of section 1 was opposed by the Department of State and the Department of the Treasury. The committee, though, found that the vast majority of the passengers in the cruise trade were American citizens or originated at American ports, therefore the U.S. Government has a special responsibility to provide protection.

Section 2

Financial Responsibility for Loss of Life or Injury

Section 2 of the amendment was proposed by the administration and would require that each owner or charterer of a vessel having berth or stateroom accommodations for 50 or more passengers and embarking passengers at U.S. ports, satisfy the Federal Maritime Commission as to his financial responsibility for liability he may incur for death or injury to any person (including passenger or crewmember).

Financial responsibility could be established by policies of insurance, surety bonds, qualifications as a self-insurer, or other evidence of financial responsibility, or a combination thereof.

The required financial responsibility would be based upon the number of passenger accommodations aboard the largest vessel operated by a particular carrier in the passenger service. The amount of financial responsibility would be calculated on a sliding scale basis as follows: $20,000 for each passenger accommodation up to and including 500; plus $15,000 for each additional passenger accommodation between 501 and 1,000; plus $10,000 for each additional passenger accommodation between 1,001 and 1,500; plus $5,000 for each passenger accommodation in excess of 1,500.

The purpose of this financial responsibility requirement is to insure that adequate assets or insurance are available to pay judgments for damages for death or injury to any person (including passenger or crew member). The amount would be available to pay any judgment, whether in an amount more or less than $20,000.

Since sea disasters rarely result in loss of life or injury to all or a major portion of the persons on board, it was not considered necessary by the committee to require a company operating one of the current large passenger vessels to demonstrate financial responsibility based on $20,000 for all accommodations. Such a requirement could mean a prohibitive amount of insurance. Since it is not the committee's purpose to burden the regular liner passenger operators, a sliding scale formula decreases the amount of financial responsibility required at the higher levels of passenger accommodations. The committee believes this sliding scale formula gives a more realistic basis for financial responsibility of the large liner passenger operators, while at the same time maintaining sufficient financial responsibility for the smaller, less substantial vessel operators. As an example, in the case of the *Yarmouth Castle*, which had accommodations for 450 passengers, the amount would have been $9 million—based upon the full $20,000 times the number of passenger accommodations. It is estimated that an amount of $9 million would in all likelihood be adequate even in a disaster of the magnitude of the *Yarmouth Castle*.

Under section 2 the Commission would be empowered to promulgate such rules and regulations as would be necessary to insure that no passenger sails aboard certain vessels whose owners or charterers do not possess sufficient assets or other evidence of financial responsibility in the amounts required by statute to cover claims arising from death or injury. No such vessel could be cleared by the collector of customs at the place of departure without notification by the Federal Maritime Commission that the provisions of section 2 have been complied with.

In addition, under this section a vessel is liable for a penalty of up to $5,000, plus $200 per passenger for failing to comply with section 2 requirements, with authority in the Commission to remit or mitigate the penalty in its discretion.

Section 2 shall become effective 6 months after the date of enactment of this act.

Section 3

Financial Responsibility for Indemnification of Passengers for Nonperformance

Section 3 of the bill contains the major provisions of the original House bill, H.R. 10327. It is directed toward indemnification of passengers when the owner or charterer fails to provide the transportation purchased. It prohibits any person from arranging, offering, advertising, or providing passage on vessels having berth or stateroom accommodations for 50 or more passengers and embarking passengers at U.S. ports unless there has been established, to the satisfaction of the Federal Maritime Commission, that sufficient funds are available, by bond or otherwise, to indemnify passengers for nonperformance. If a bond or other security is used, it must equal the estimated total revenue for the particular transportation.

This section provides for the filing of evidence of financial security or in the alternative a copy of an acceptable bond or other security because many persons operating in the cruise business are responsible and maintain sufficient assets in this country which could be proceeded against. Also, the committee took cognizance of the fact that since most American passenger vessels operate under operating-differential subsidy contracts, these American-subsidized operators already file evidence of financial responsibility with the Maritime Administration in the form of financial reports (form MA-172). The Federal Maritime Commission would have access to these financial reports.

Under section 3 no vessel could be cleared by the collector of customs at the place of departure without notification by the Federal Maritime Commission that the provisions of section 3 have been complied with.

In addition under this section a vessel is liable for a penalty of up to $5,000 plus $200 per passenger for failing to comply with section 3 requirements, with authority in the Commission to remit or mitigate the penalty in its discretion.

Section 3 has an effective date of 120 days after enactment. Such an effective date is felt by the Committee to be fair and will provide adequate time for the Federal Maritime Commission to prescribe the necessary regulations.

This section of H.R. 10327 was amended to apply to any vessel, cruise or otherwise, embarking passengers at a U.S. port because there appears that there is no valid reason why passengers should not be protected against possible default by any passenger vessels. This also eliminates the practical problem of defining a "cruise" in a manner that would preclude evasion of the law.

Section 4

U.S. Passenger Vessels

Section 4 of the legislation requires that those U.S. vessels built before May 27, 1936, meet the requirements set forth for vessels constructed after such date by November 1, 1968.

Testimony before the committee indicates that there are presently only two such vessels operating—the SS *Delta Queen* on the Mississippi and Ohio Rivers and the SS *South American* operating on the Great Lakes. While the effective date of this section of H.R. 10327, as amended, is November 1, 1968, it is expected that the Coast Guard will rigorously enforce existing regulations for these vessels and require whatever additional fire safety standards may be considered necessary for safe operation of these vessels in the interim period.

COST

It is estimated that the cost of this legislation to the U.S. Government will be approximately $250,000.

MAILING PRIVILEGES OF MEMBERS OF THE U.S. ARMED FORCES AND OTHER FEDERAL GOVERNMENT PERSONNEL OVERSEAS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1449, H.R. 13448.

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

The LEGISLATIVE CLERK. A bill (H.R. 13448) to amend title 39, United States Code, with respect to mailing privileges of members of the U.S. Armed Forces and other Federal Government personnel overseas, and for other purposes.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service, with amendments on page 2, line 21, after the word "the", to strike out "forty-eight contiguous States," and insert "fifty States of the United States, the territories and possessions of the United States in the Pacific area, the Commonwealth of Puerto Rico, the Virgin Islands or the Canal Zone,"; in line 25, after the word "on", to insert the word "scheduled"; in the same line after the word "States", to strike out "flag" and insert "air"; on page 3, line 1, after the word "carrers", to strike out "with the total annual volume to be equally divided, to the extent practicable, among such carriers serving each area,"; in line 10, after the word "correspondence", to strike out the comma and insert "which are mailed at or addressed to any such Armed Forces post office;"; at the beginning of line 12, to strike out "(iii)" and insert "(B) (i)"; in line 14, after the word "to", to insert "members of the Armed Forces and"; at the beginning of line 16 to strike out "(iv)" and insert "(ii)"; in line 20, after the word "office", to strike out the semicolon and "and" and insert "in an overseas area designated by the President under section 4169 of this title; and"; at

the beginning of line 22 to strike out "(B)" and insert "(C)"; on page 4, line 3, after the word "by", to insert "scheduled"; in the same line after the word "States", to strike out "flag" and insert "air"; in line 7, after the word "than", to insert "scheduled"; in line 8, after the word "States", to strike out "flag" and insert "air"; after line 14, to insert the following new section:

SEC. 3. Paragraph (4) of section 4303(d) of title 39, United States Code, is amended by inserting before the period at the end thereof a comma and the following: "except that the rate of postage applicable to air parcel post transported directly between (1) Hawaii, Alaska, or the territories and possessions of the United States in the Pacific area, and (2) an Army, Air Force, or fleet post office served by the postmaster at San Francisco, California, or Seattle, Washington, shall be the rate which would be applicable if the parcel were in fact mailed from or delivered to that city, as the case may be.

On page 5, line 1, after the word "Sec." to strike out "3" and insert "4"; and in line 12, after the word "title," to strike out "which are located outside the forty-eight contiguous States of the United States, or between any such Armed Forces post office and the point of embarkation or debarkation, within the 48 contiguous States" and insert "which are not located within the fifty States of the United States, the territories and possessions of the United States in the Pacific area, the Commonwealth of Puerto Rico, the Virgin Islands or the Canal Zone, or between any such Armed Forces post office and the point of embarkation or debarkation within the fifty States, the territories and possessions of the United States in the Pacific area, the Commonwealth of Puerto Rico, the Virgin Islands or the Canal Zone."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1484), explaining the purposes of the bill.

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

PURPOSE

Last year, Congress enacted Public Law 89-315 to give free airmail service to letters mailed by members of the Armed Forces serving in combat areas, and to permit parcels not exceeding 5 pounds to be transported by air on a space-available basis to and from combat areas at the surface rate.

This legislation broadens the scope of that law by (1) including sound-recorded communications within the free mailing privilege; (2) providing for airlift of current news publications to combat areas; and (3) providing world-wide airlift of letter mail and sound-recorded communications at surface rates to and from U.S. servicemen overseas in noncombat areas.

The committee strongly urges the Postmaster General to take immediate action to make certain that the American people are informed of the meaning of Public Law 89-315 and the amendments proposed to be enacted by this legislation. The committee is most concerned that the existing provision for sending small parcels at surface rates to combat areas has not been sufficiently publicized by the Post Office. Many people are still using the prohibitively high air parcel post rates. Everyone should be informed about this legislation which is and will continue to be of such benefit to our fighting men overseas and those at home supporting and encouraging their efforts.

EXPLANATION OF THE BILL BY SECTIONS

Section 1 amends section 4169 of title 39, United States Code, to extend to "sound-recorded communications having the character of personal correspondence" the same free mailing privilege to servicemen in combat areas as now applies to first-class letter mail and provides that the mail covered by this provision shall be transported by air on a space available basis. Present law requires more expensive "airmail" handling.

Section 2 provides for transportation by air at surface rates on a space-available basis on scheduled U.S. air carriers of first-class letter mail, including postal cards and post cards, and sound-recorded personal communications between APO post offices overseas and between such APO's and the point of embarkation or debarkation within the 50 States and the territories and possessions of the United States. Section 2 also provides for the airlift of second-class publications published once each week or more frequently and featuring principally current news of interest to members of the Armed Forces and the general public and parcels of any class of mail not exceeding 5 pounds in weight and 60 inches in length and girth combined which are mailed at or addressed to any such APO in an overseas area designated a combat area by the President.

Section 2 also authorizes air transportation for packages 5 to 70 pounds in weight and 100 inches in length and girth combined to and from APO's overseas where adequate surface transportation is not available. Provision is included which, in the event adequate service by U.S. air carriers is not available, will permit the transportation of the mail by supplemental air carriers or foreign air carriers.

Section 3 changes the rates on air parcel post going from Alaska and Hawaii to Pacific areas.

Section 4 amends section 4303 of title 39, United States Code, by adding a new subsection (f) to provide, as recommended by the Post Office Department, that the Department of Defense shall reimburse the Post Office Department for the cost of transportation incurred by the Post Office Department in providing air transportation of mail between overseas Armed Forces post offices and the United States. Under present procedures, reimbursement is made by executive agreement between the two agencies based on authority contained in the Department of Defense appropriation acts. The provisions of the new subsection (f) will constitute permanent statutory language and overcome the necessity of including the language in the annual appropriation acts.

COSTS

The Bureau of the Budget estimates that the cost of providing transportation by air worldwide on a space available basis of letter mail and sound communications using the current volume of mail will be $189,000. The cost of airlifting second-class publications of current news value to combat areas is estimated at under $1 million.

AGREEMENT WITH MEXICO FOR JOINT MEASURES FOR SOLUTION OF LOWER RIO GRANDE SALINITY PROBLEM

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1450, S. 2747.

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

The LEGISLATIVE CLERK. A bill (S. 2747) to authorize conclusion of an agreement with Mexico for joint measures for solution of the Lower Rio Grande salinity problem.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1485), explaining the purposes of the bill.

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

MAIN PURPOSE

S. 2747 authorizes the Secretary of State to conclude an agreement, or agreements, with Mexico for the construction, operation, and maintenance by and in Mexico of a drainage conveyance canal for the discharge of waters of the El Morillo and other drains into the Gulf of Mexico. The International Boundary and Water Commission, United States and Mexico, is authorized to supervise the construction, operation, and maintenance of the canal, which shall have substantially the characteristics set forth in its minute No. 223, printed as appendix I.

The bill further provides that the costs of construction, including design and right-of-way, and the costs of operation and maintenance shall be equally divided between the United States and Mexico. Furthermore, before concluding the agreement, or agreements, the Secretary of State is required to receive satisfactory assurances from private citizens or a responsible local group that they or it will pay to the U.S. Treasury one-half of the actual U.S. costs of construction including design and right-of-way, and one-half of the actual costs of operation and maintenance allocated to the United States.

The total costs of construction are estimated at $1,380,000, and the annual costs of operations and maintenance at $40,000. The U.S. share therefore will be $690,000 and $20,000. The local interests' share of these amounts is $345,000 for construction, and $10,000 for operations and maintenance annually, matching the net cost to the United States. The Secretary of State has already received the assurances required by the bill from the Lower Rio Grande Water Committee, which has also deposited $300,000 in the U.S. Treasury (see app. II) and is in the process of raising the additional $45,000.

S. 2747 authorizes the appropriation of such sums as may be necessary to defray the U.S. costs for this project.

BACKGROUND

The salinity of the Lower Rio Grande Valley—the stretch between Falcon and Anzalduas Dams—has been a problem to the United States and Mexican water users of that area for a number of years. Studies conducted at the request of the International Boundary and Water Commission, United States and Mexico, determined that the principal source of the saline waters was the Morillo, and certain other drains in Mexico, which discharges return flows from irrigation to the Rio Grande.

Eighty percent of the U.S. diversion for irrigation of some 780,000 acres of land in the lower Rio Grande is made at points below the points of this saline inflow with resultant adverse effect on the crops in this valley, including citrus, vegetables, seedlings, and

cotton. A smaller irrigated area on the Mexican side is similarly affected.

During the past 4 years, Mexico has undertaken temporary alleviating measures by occasionally releasing some of its stored waters at Falcon Dam to dilute the saline flows or by diverting the saline flows through its Anzalduas Canal to off-river storage reservoirs. S. 2747 proposes a permanent solution to the problem of these saline flows by preventing them from entering the Rio Grande and by diverting them through a conveyance canal directly to the Gulf of Mexico.

COMMITTEE ACTION

S. 2747 was introduced by Senator YARBOROUGH on January 14, 1966. On August 17, the Committee on Foreign Relations held a public hearing and received statements by Senator YARBOROUGH, Robert M. Sayre, Deputy Assistant Secretary of State for Inter-American Affairs, and J. F. Friedkin, U.S. Commissioner, International Water and Boundary Commission, United States and Mexico. These are printed as appendixes III, IV, and V of this report. Favorable reports were also received from the Departments of the Treasury, Interior, and Army; and passage of the bill was urged by individuals and organizations in the Lower Rio Grande Valley.

On August 18, the committee in executive session ordered S. 2747 reported favorably.

Action in this form, rather than in the form of approving an agreement, is necessary because of the understanding which the Senate attached to its resolution of ratification of the water treaty with Mexico of 1944, which provides in part "that no commitment * * * for expenditures by the United States, other than those specifically provided for in the treaty, shall be made * * * without prior approval of the Congress of the United States." The works authorized are not specifically provided for in the treaty.

Mr. KUCHEL. Mr. President, I wish to indicate that, in this world of turmoil and strife, the relations between two neighboring countries in this hemisphere are constantly being strengthened and are growing, and this bill provides an excellent example.

The people of the Government of Mexico and the people of the Government of the United States have learned how to strengthen the bonds of friendship, how to eliminate problems which from time to time plague their countries, how to live along a common boundary happily without guns or barbed wire, how to enjoy each other's people and culture, and how, indeed, to demonstrate to the world the pride and friendship to be derived from dwelling side by side as neighbors in peace and good will.

The funding of the project will be shared jointly by the United States and the Republic of Mexico. Half of the American share will be borne by private interests. In my own State we are all too well aware of the salinity problem and its potential devastation of our soils and our water resources. The constructive approach taken by the International Boundary and Water Commission to provide for final solution to the vexing problem of the salinity of the waters of the lower Rio Grande appears to be a sound one—and a happy augury for continued cooperation in solving these questions which concern both our countries.

I simply wish the record to show, as we pass one more piece of legislation designed to eliminate another potential point of controversy, that we are strengthening the cause of freedom in this hemisphere.

The ACTING PRESIDENT pro tempore. The question is on the engrossment and the third reading of the bill.

The bill was ordered to be engrossed for a third reading, was read the third time and passed, as follows:

S. 2747

A bill to authorize conclusion of an agreement with Mexico for joint measures for solution of the Lower Rio Grande salinity problem

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of State, acting through the United States Commissioner, International Boundary and Water Commission, United States and Mexico, is authorized, notwithstanding any other provision of law and subject to the conditions provided in this Act, to conclude an agreement or agreements with the appropriate official or officials of the Government of the United Mexican States for the construction, operation, and maintenance by the United Mexican States under the supervision of the International Boundary and Water Commission, United States and Mexico, of a drainage conveyance canal through Mexican territory for the discharge of waters of El Morillo and other drains in the United Mexican States into the Gulf of Mexico in the manner, and having substantially the characteristics, described in said Commission's Minute Numbered 223, dated November 30, 1965. The agreement or agreements shall provide that the costs of construction, including costs of design and right-of-way, and the costs of operation and maintenance, shall be equally divided between the United Mexican States and the United States. Before concluding the agreement or agreements, the Secretary of State shall receive satisfactory assurances from private citizens or a responsible local group that they or it will pay to the United States Treasury one-half of the actual United States costs of such construction, including costs of design and right-of-way, and so long as such agreement or agreements remain in force, one-half of the actual costs of operation and maintenance allocated under such agreement or agreements to the United States.

SEC. 2. There is authorized to be appropriated to the Department of State for use of the United States Section, International Boundary and Water Commission, United States and Mexico, without fiscal year limitation, such sums as may be necessary to defray costs that accrue to the United States under such agreement or agreements for the construction, operation, and maintenance of such drainage conveyance canal project.

Mr. TOWER subsequently said: Mr. President, I am pleased that the Senate has approved this bill, and I hope the House of Representatives will proceed to its prompt consideration. The legislation provides for a much needed relief in the lower Rio Grande area where salinity is a damaging situation.

As noted in the Senate Committee the highly saline solution entering the Rio Grande just above Mission, Tex., affects more than 580,000 acres in the lower valley. This causes enormous loss and damage to seedlings, citrus, and salt-sensitive vegetables. It also limits other utilization of the water.

Under the bill approved by the Senate a canal or drain could be constructed through Mexico to divert the waters so that little or no salt pollution will reach the lower Rio Grande Valley. Construction, maintenance, and operation would be by Mexico. Costs would be split between our two countries and met in equal amounts by local and national governments. These costs will be easily offset by the savings in crops that will improve returns to farmers, permit higher farmworker wages, and cut consumer costs.

IRREGULARITIES IN AWARDING CONSTRUCTION CONTRACTS

Mr. WILLIAMS of Delaware. Mr. President, I ask unanimous consent to proceed for 5 minutes.

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

Mr. WILLIAMS of Delaware. Mr. President, today I call attention to a situation wherein McCloskey & Co., Philadelphia, Pa., was allowed to change its bids on a Government project 5 days after the deadline for all bidding had passed, and was then awarded a $12.5 million contract on the premise that it had been the lowest of three competitive bidders.

I shall review the procedures of this strange operation.

Early this year, the General Services Administration's plans for construction of the superstructure of the Philadelphia Mint were announced, along with notification that all bids were due in the General Services Administration office not later than June 24, 1966.

Three bids were received and were opened on that date. The three bidders were McCloskey & Co., J. W. Bateson & Co., the Turner Construction Co.

These bids had been requested on two different bases—one with a 12-month construction time limit and one with an 18-month construction time limit. J. W. Bateson & Co. was the low bidder in each instance.

The McCloskey & Co. bid on a 12-month construction time limit was $17,195,834, or $3,384,834 above the low bid of $13,811,000, which had been submitted by the J. W. Bateson & Co.

McCloskey & Co.'s bid on the second proposal, involving an 18-month construction time limit, was $13,227,565, or $447,565 higher than the $12,780,000 bid submitted by J. W. Bateson & Co.

A third company, the Turner Construction Co., submitted no bid for the 12-month construction time limit but did submit a bid on the 18-month construction time of $14,160,000, which was higher than either of the other two bids.

These bids were all received by the General Services Administration on June 24, the deadline for such bidding and were opened in the GSA office.

It is understood that the Government always reserves the right to reject all bids when it decides that they are unreasonable. When such rejection is made, however, a public announcement of the rejected bids is made and the entire project is reopened for another round of bidding.

This was not done in this instance. The bids were not rejected since the low bid of J. W. Bateson & Co. was well within the estimates of the General Services Administration as to the projected cost of this particular project.

Instead of notifying the J. W. Bateson & Co. that it had been the successful bidder, notification of the results of this bidding was delayed. Five days later, on June 29, 1966, Mr. Thomas McCloskey hand delivered to the GSA office a revised bid for McCloskey & Co. which brought its bid enough below the Bateson Co. to obtain the contract.

In its revised bid McCloskey & Co. changed its original bid on this project for the 12-month construction time period from $17,195,834 to $13,093,565. This represented a $4,102,269 drop from its original proposal, or $717,435 below the Bateson bid.

The McCloskey & Co. changed its bid for the 18-month construction time from $13,227,565 to $12,682,565, or a drop of $545,000 on this proposal. This now brought the McCloskey bid for the 18-month construction period $97,435 lower than the bid of Bateson & Co.

I repeat, the General Services Administration allowed McCloskey & Co. to change its bids 5 days after the deadline for competitive bidding had passed. Then in an apparent effort to make it appear that it was being fair to the other bidders, on June 29—the day McCloskey was allowed to change his bid—the GSA called the other bidders and asked if they still wished to leave their bids as submitted.

J. W. Bateson & Co. advised that it was standing pat on its bids.

Turner Construction Co. did drop its 18-month bid on the proposal by $275,000, which was a futile gesture since it was not in the race anyway. Forty-eight hours later General Services Administration announced the awarding of this contract for the superstructure of the Philadelphia Mint to McCloskey & Co. for $12,682,565 on the premise that McCloskey had been the successful competitive bidder.

Based on this record it is apparent that the other bidders were merely wasting their time in preparing bids and that the Administration was determined to give this contract to McCloskey & Co. In fact, one prominent builder has stated that his company did not even waste its time and money in preparing a bid on this project since it was well known in construction circles that McCloskey & Co. was to get the contract regardless.

The argument of the General Services Administration that this unusual procedure was followed in an attempt to save $97,000 for the American taxpayers is not acceptable.

All Government contracts should be awarded to the lowest responsible bidder, and I have long been a critic of the Administration for not seeking competitive bids on more Government work; however, if this process is to work successfully each responsible bidder must have assurance that he will have an equal chance to obtain the contract and not be the victim of any backstage political maneuvering. The opening of all bids should be in public with each bidder having an opportunity to be present.

The procedure followed here, where these bids were opened in secret and then one bidder being allowed to change his bid, is indefensible.

In my opinion this contract as awarded to McCloskey & Co. should be canceled and awarded to J. W. Bateson & Co., who was the low bidder.

At this point I ask unanimous consent to have printed in the RECORD my correspondence with the General Services Administration establishing the points as outlined above.

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

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., August 8, 1966.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: This is in response to Miss Lenhart's request for confirmation of information given to her by Mr. William A Schmidt by telephone on August 2 and to supplement my letter of July 29 concerning the new Mint in Philadelphia.

The results of the negotiation with the three contractors are as follows:

Contractor	Quotation No. 1, 12 months' construction time	Quotation No. 2, 18 months' construction time
McCloskey & Co	[1] ($17,195,834)	$13,227,565
Revised proposal	13,093,565	12,682,565
J. W. Bateson & Co	13,811,000	12,780,000
Revised proposal	(2)	(2)
Turner Construction Co	(3)	14,160,000
Revised proposal	(3)	13,885,000

[1] Add 30 percent to quotation No. 2.
[2] No change.
[3] No proposal.

Following the receipt of the original proposals on June 24, before any contact could be made for negotiation with the contractors, the McCloskey Company submitted revised proposals. The other two contractors were contacted. J. W. Bateson and Company stood firm on its original proposal and indicated they were not prepared to make any change. The Turner Construction Company, as in its original submission, did not submit a proposal on the 12-month basis but submitted a proposal on the 18-month basis.

It was GSA's original plan to contract for construction of the Mint in four phases in order to telescope the construction time. My letter of July 29 explained the award for the substructure. While the substructure (Phase 1) was under construction, plans and specifications for Phases 2, 3 and 4 were being completed. On March 9 bids were invited for the structural framing (Phase 2).

At the opening on March 30, no bids were received. On April 17 bids were invited for elevators, escalators, adjustable loading ramps and truck scales (Phase 4). Bids were opened on April 7 and only 2 bids received. McCloskey and Co., was the low bidder. However, since no bids were received on Phase 2 and the plans on Phase 3 were near completion it was decided to reject the bids on Phase 4 and to negotiate with interested qualified firms for the completion of the building (Phases 2, 3 and 4). Incidently, in selecting the firms for negotiation, qualified firms which had taken out plans and specifications on the invitation for Phase 2 were contacted to determine if they had any interest in submitting a proposal for completion of the Mint.

Sincerely yours,

LAWSON B. KNOTT, Jr.,
Administrator.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., August 12, 1966.

Hon. JOHN S. WILLIAMS,
U.S. Senate, Washington, D.C.

DEAR SENATOR WILLIAMS: This is to confirm the information given to Miss Lenhart of your office on the contract for the superstructure of the Philadelphia Mint.

The proposals on the construction of the complete superstructure (phases II, III, and IV) were due in the General Services Administration on June 24, 1966. Three proposals were received and opened on that date. On June 29, by letter hand delivered by Mr. Thomas McCloskey, McCloskey and Company submitted revised proposals. On June 29 the J. W. Bateson Company advised verbally that no revision would be made in their proposals and confirmed this by letter of June 30. On June 29 the Turner Construction Company advised verbally of a revision in their proposals and confirmed this by letter of June 30.

The address of the J. W. Bateson Company Washington office is 1124 North Highland Street, Arlington, Virginia.

Sincerely yours,

LAWSON B. KNOTT, Jr.,
Administrator.

THE SCANDAL-RIDDLED M'CLOSKEY CONTRACTS

Mr. SIMPSON. Mr. President, I take this opportunity to thank the distinguished Senator from Delaware [Mr. WILLIAMS] for digging into the McCloskey matter. It would appear on its face that a real scandal is involved in the way the present Democrat administration has favored McCloskey & Co. This company is headed by a former Democrat national treasurer, Matthew H. McCloskey. The facts as set forth in your statement are indeed startling.

Several years ago, had someone suggested to me that the General Services Administration would permit such activities, I would have said that it was impossible. But time and again we are seeing a pattern of preferential treatment given to those who pay the political price for favoritism by this Democrat administration.

Just the other day in the House of Representatives, Representative DONALD RUMSFELD, Republican, of Illinois, reported on the House floor that George B. Brown, chairman of the board of Brown & Root, and members of his family gave to the President's Club an amount of $25,000. This gift was made just prior to President Johnson's attempt to coerce the House of Representatives into appropriating funds for the scandalous Mohole project.

In today's Washington Post, which is not known for being unfriendly to the Johnson administration, I found a column entitled "GOP Dares Johnson To Disavow That Club," written by George Lardner, Jr. The article reviews several instances which clearly demonstrate that companies must contribute heavily to the "President's Club" if they are to receive favorable treatment by the Johnson administration.

The undisputed facts concerning the companies of Anheuser-Busch, Brown & Root, and the "RMK/BRJ Combine" clearly suggest improper activities on the part of this Democrat administration, if not corrupted motives of Johnson's lieutenants.

Mr. President, I ask unanimous consent to have the article printed at this point in the RECORD.

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

GOP DARES JOHNSON TO DISAVOW THAT CLUB

(By George Lardner, Jr.)

The President, suggested Rep. DONALD RUMSFELD (R.-Ill.), can end it all with a simple little repudiation.

But until then, the GOP Congressman hinted, the image of LBJ's gold-plated boosters' club is going to get worse before it gets better.

RUMSFELD is the latest to take a shot at the fund-raising President's Club where memberships sell for $1,000 and up.

In a House debate on Project Mohole last last week, RUMSFELD pointed out that the prime contractor and his family had contributed $25,000 to the Club—with most of the money coming a few days after appropriations for the controversial earth-drilling Project were first knocked out by the House.

Rounding out the embarrassing chronology for his colleagues, RUMSFELD noted that, a few days after the Club got the contributions the President sent a message to Congress urging that Project Mohole, which he had long supported, be kept alive.

It was, RUMSFELD contends, the third "preposterous coincidence" involving the President's Club that has come to light this summer.

BREWERY CASE CITED

First was the case of Anheuser-Busch, whose top executives and wives of executives had given the President's Club $10,000 shortly before the Justice Department dropped an anti-trust suit against the big St. Louis brewery.

Afterwards, the head of the Justice Department's Anti-trust Division found himself invited by Vice President HUMPHREY's office—aboard an Anheuser-Busch plane—for a trip to the All-Star game and a President's Club luncheon in St. Louis.

Next, Republican Congressmen charged that the Office of Economic Opportunity had "ignored" four experienced firms for a company whose Washington manager gave $3000 to the President's Club and the Democratic National Committee.

The company got a $1.3 million anti-poverty contract.

Democrats in Congress have complained that the Republican jabs are low blows. During the Mohole debate, House Whip HALE BOGGS (D-La) recalled that when President Eisenhower was in the White House, there were $100-a-plate and $1000-a-plate dinners on his birthday all over the country.

"No one," he said "cast aspersions upon the motives of the people who attended these dinners."

CARTER IS QUOTED

In reply, Republicans dwell on the influence-smacking status reportedly accorded the President's Club by Clifton Carter, outgoing executive director of the Democratic National Committee.

President's Club members, Carter has reportedly said "are assured of a direct relationship with President Johnson.

"Members who want to talk to the President, the Vice President, or one of their assistants have only to contact my office. Members will immediately be put in contact with whomever they want to reach."

"If that isn't the implication the President wants the club to have," says RUMSFELD, "he has only to so state. He has not so stated."

After the Mohile debate, George R. Brown, board chairman of Houston's Brown & Root, Inc., the prime contractor, scoffed at suggestions that his family's political contributions were made for favors on Mohole.

"We do things in a family way," he said of the $23,000 his daughters and their husbands gave the Club all at once last May. "They like the Democrats same as I do."

A leading light of the chapter in Houston, Brown himself gave the President's Club $2000 in April. All of the contributions, he indicated, stemmed from the President's Club dinner in Houston April 28 and had been pledged before that.

Both Republicans and Democrats joined in sinking Mohole after the House debate last week. Originally priced at $5 to $15 million, the project for digging into the earth's crust is now expected to cost more than $127 million before drilling starts, the House was told.

Rep. JOHN DINGELL (D-Mich.) called it "Project Rathole" and charged that it was full of mismanagement. Brown & Root was awarded the contract in 1962 at a figure of $43.6 million, "only slightly under the highest bid and almost double the lowest," RUMSFELD said.

Brown said he no longer owns Brown & Root and holds only "a little stock, that's all" in the company that does. Besides, he said, Mohole is little more than a drop in the Brown & Root bucket.

Apparently no one quarrels with Brown about that. Brown & Root for example is the "BR" of the "RMK/BRJ Combine" that has more than $700 million worth of military construction contracts in South Vietnam.

"Contributions are necessary to the life of our political parties," RUMSFELD said. But, he continued, "a club such as the President's Club, which assures its members of a direct relationship with the President and which receives substantial contributions at a time when critical decisions are being made in Government affecting the contributors, poses serious questions."

The longer the President lets the Club's reputation as a collection of insiders stand, RUMSFELD adds, the more embarrassing it's going to get.

Mr. SIMPSON. Mr. President, Matthew H. McCloskey heads the big construction firm called McCloskey & Co. that has built a large number of Government-owned buildings and other structures. McCloskey is a former treasurer of the Democrat National Committee and brags that he has been responsible for raising over the past 30 years almost $35 million for the "party of his choice."

Several of the contracts McCloskey & Co. has received from the Government are of a questionable nature and suggest that the General Services Administration has gone out of its way to favor the company. For example, in 1961 McCloskey obtained a negotiated contract—cost plus fixed fee without competitive bidding—for the construction of a secret—as to function and as to cost—Government building in Washington. The General Services Administration—GSA—admitted that negotiated contracts are a "very unusual" procedure which are permitted "only under rare circumstances." Reliable sources say that this building houses employees of the CIA, but, when the main CIA building was contracted, the Eisenhower administration made full details on construction public. McCloskey bid on that project but was not awarded any share of it.

It is my understanding that in the construction industry it is common knowledge that McCloskey & Co. will almost automatically receive the contract awards. Consequently, many big companies are not even bothering to bid because they know of the cheap, foul, political action that will take place by Government officials to see to it that the former Democrat national treasurer's company will get the contract. Today we have seen a patent and overt example of a corrupt government. There can be no excuse for the General Services Administration's handling of the bids for the Philadelphia Mint.

I was surprised to learn that the General Services Administration would award such a substantial contract to a company which has such a bad reputation. Presently, according to the Department of Justice, McCloskey & Co., are being sued by the U.S. Government for approximately $5 million. The Department of Justice contends that after a thorough examination of the Boston VA hospital, it was determined that there were so many unauthorized departures from the contract plans and specifications by McCloskey and failures by the architect-engineer properly to inspect and supervise McCloskey's contract performance that local repairs were not sufficient; and that it was necessary to remove and replace the brick outer wall and windows and to construct a new frame to support the new outer wall. The cause of the failure described was the negligence of McCloskey & Co. in the performance of the construction contract. The Government has been damaged in the approximate sum of $5 million.

On one hand, our Government is suing this company for $5 million because of its negligence and poor construction of a Government building. On the other hand, it is improperly, in my opinion, entering into new contracts for the construction of a $12 million building in Philadelphia. No reasonable man would enter into a contract of this nature after he had been damaged so severely and extensively because of his dealings with McCloskey.

I am appalled by the evidence that has been compiled in the McCloskey case and would hope that honest men in our Government would rise above the political pressures of the White House and see to it that the law was obeyed in issuing contracts. I thank the Senator from Delaware for his diligence and his determination in this matter.

NATIONAL DRUM CORPS WEEK

Mr. DIRKSEN. Mr. President, in recognition of National Drum Corps Week, August 20–27, I am proud to salute our American youth for their participation in this pageantry of patriotism. Our drum corps are symphonic symbols—symbols that stimulate all of us to have a deeper understanding and a greater appreciation of our history and our heritage. Not only this spirit in sound stands for our history, our Government, our institutions, and our homes but also it represents our courage, our hopes and our visions.

By our support of the ideals for which they march, we as Americans put meaning into their sounds. Not with words as the sound of a tinkling cymbal, but with hearts swelled with gratitude for

our inheritance of liberty, and with a steadfast determination to pass on to our children a glorious Government undimmed by selfish act or narrow thinking.

I encourage everyone to participate in the observance of National Drum Corps Week and to lend support to local drum and bugle corps activities.

Mr. SALTONSTALL. Mr. President, this week is National Drum Corps Week and I am glad to join with my colleagues in paying tribute to the many young people who participate in drum and bugle corps activities as well as to their advisers and instructors who contribute significantly to the excellent results these young people achieve.

My own State of Massachusetts is the home of more than 300 drum and bugle corps and we are proud of their contributions to parades and events throughout our State. We are proud, too, of the fine way in which they represent our State at national events. This year Lynn, Mass., was selected as the site of the world open championships. On Saturday the finest performing units in the country participated in this championship competition in Lynn and all reports indicate the event was an outstanding success.

As one who on many occasions has enjoyed watching well-trained drum and bugle corps in action, I am glad to have this opportunity to tell these groups to keep up the good work. Not only do they gain a great deal from the experience of participating in the corps but their community benefits also.

VIETNAM POLICY—STATEMENT OF EDWARD W. BROOKE, ATTORNEY GENERAL OF MASSACHUSETTS

Mr. SALTONSTALL. Mr. President, this weekend Edward W. Brooke, the attorney general of Massachusetts, released a statement concerning our problems in Vietnam which I think my colleagues will find of interest. It is a thoughtful expression of his views and reflects a careful study of our policies in southeast Asia.

I ask unanimous consent to have printed in the RECORD the statement of Edward W. Brooke.

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

"CREATING A CLIMATE FOR NEGOTIATION"—A VIETNAM POLICY STATEMENT

(By Edward W. Brooke, attorney general of the Commonwealth of Massachusetts)

Day by day, the stakes in Vietnam are growing higher and the risks more grave. It is therefore essential that we re-assess the total situation and evaluate the alternatives before us.

Our foreign policy appears to be drifting into a difficult and intractable position. Our goals in Vietnam are still unclear. Our decisions suggest the absence of a comprehensive, long-range policy objective. We appear to be taking piecemeal, spasmodic actions on a day-to-day basis, under the apparent assumption that military requirements leave us no alternative but steady escalation.

Recent reports of a projected American troop commitment of 750,000 men in Vietnam over a period of five years have been widely discussed in the press. These reports disclaimed by the President and Secretary of Defense, nonetheless raise serious questions regarding the "credibility" of the repeated assurances by the Administration that the war is going well and that we are achieving our objectives. The Administration appears to be less than candid in dispelling reports of a quick end to hostilities.

THREE ALTERNATIVES FOR AMERICAN POLICY

As a concerned American and as the Republican candidate for the United States Senate from Massachusetts, I have spoken before, at some length, on our policy and strategy in Vietnam. I have urged a policy that offers hope for a third alternative to the courses of "withdrawal" or "escalation."

The simple answers of "withdrawal" or "escalation" are unacceptable political choices. Neither is actually a political policy at all, but only an avoidance of real solutions.

A policy of withdrawal would be a denial of the commitment that we have made, publicly and insistently, to the people of South Vietnam. It would be an outright surrender in the test of strength that we have already joined to stop the spread of Communist regimes by force or terror. It would involve not merely a loss of American "prestige," but, more fundamentally, it would call into question before the world the seriousness of our purpose and the consistency of our policy.

On the other hand, escalation by itself can be a blind, limitless policy that feeds on itself. It can be a policy with no purpose, a military operation in which we gradually relinquish the ability to keep our actions in line with our interests. The inevitable result of escalation is to broaden the issues involved and, consequently, to make the prospect of settlement more and more unlikely. Escalation is a poor substitute of motion for direction, at a price that involves tremendous risks to ourselves and to the whole world.

I believe that a third course is still possible—a course that has as its ultimate objective a negotiated political settlement in Vietnam in accord with the interests of the Vietnamese people and the United States.

I re-affirm my belief that it is not our purpose nor is it in our interest to occupy and run Vietnam. We must recognize the limits upon our role and upon our responsibility. Our policy must be designed to support the South Vietnamese people in their determination of their own future. We have committed forces to protect that choice and to see that the South Vietnamese are guaranteed the means to make their decisions effective.

Accordingly I have urged: (1) that we do everything possible to encourage the development of viable national institutions—political, economic, and social—in South Vietnam, and (2) that we adopt a military strategy which is both militarily and politically sound over the long period during which we hope to see essential political change in South Vietnam. These I still believe are essential requirements for a successful resolution of the war.

I have stressed the importance of elections to establish a clearly legitimate government in Saigon. For the most part, progress since then toward such elections has been encouraging. Current arrangements call for a national election in South Vietnam on September 11th. The electorate will choose delegates to a constituent Assembly which, in turn, will be responsible for drafting a national constitution. While the election will take place under conditions that are less than fully democratic, we must recognize the serious problems involved in holding any election in a war-torn country whose people have had no real experience with democracy.

While the September election may be less than hoped for as an open test of popular sentiment, it should be an important *first step* toward the institution of a truly representative and responsive regime.

BUILDING A CLIMATE FOR NEGOTIATIONS

Beyond our support for the current elections, and the American military commitment to defend the South Vietnamese from aggression, our ultimate goal should remain a negotiated political settlement of the war. The President has repeatedly affirmed that negotiation is the highest priority of our policy, and he has held out a sincere and unconditional offer to sit down at the conference table at any time. *But this* has not been enough.

The challenge to American policy now is to create the political and military conditions that will *stabilize a climate for negotiations.*

Our political actions must be designed to *limit* the issues at stake in the conflict to those which can be successfully handled at the conference table. We must help to build the capacity and self-confidence of Vietnamese political forces to deal with them.

Our military actions should be aimed at maintaining our posture in South Vietnam and our potential position of strength at the bargaining table. We should avoid further escalation that will raise the stakes on our part and bring new and more difficult issues into the conflict.

The Administration's "two-sided" policy has held out escalation as the fastest road to negotiation. The evidence to date, however, does not support this assumption. The offer of negotiations combined with decisions to raise the level of hostilities is not a realistic policy for Vietnam—whatever its success has been in winning domestic support in the United States.

We can and we must do *more* to build a climate for negotiations *before* the course of the war is completely out of control. I feel that we are dangerously close to that point now.

Specifically I suggest a *seven* point program for American initiative to increase the prospects for a political solution to the Vietnamese War. These proposals are neither exhaustive nor sufficient in themselves to achieve this objective. But taken together they could give our policy an important new emphasis.

1. *We should give priority attention to political development and reform in South Vietnam.*

The political institutions of South Vietnam must be capable of handling a negotiated settlement. Moreover, they must be capable of maintaining authority and legitimacy in time of peace. The current political leadership of South Vietnam represents a temporary military rule acceptable only under the strained conditions of war. I urge that we make every effort to encourage a political leadership based on broad popular consent. I have already indicated that we must support the integrity of the Constituent Assembly elections in September. Further efforts should be made to obtain international monitors at the polls—perhaps from an expansion of the present International Control Commission or from Vietnam's neighboring Asian states, acting under United Nations auspices.

Once the elections have been held, we should give further strong support to the Assembly in writing a workable constitution and in passing authority into the hands of a legislative assembly and a duly elected government. Future elections should be open to all shades of political opinion in South Vietnam. But we should avoid efforts to control the internal politics of South Vietnam or to place American influence behind any one candidate or the leader.

2. *In line with this same goal of national stability we should extend and intensify our programs of social and economic reform in South Vietnam.*

I wish to express my support for the program of rural reconstruction and pacification in Vietnamese villages, and I urge that the program be expanded to cover as much of the Vietnamese countryside as under control of Saigon. I further urge an expansion of our economic and technical aid to South Vietnam, as well as the assistance of our political experts for the organization of modern government services.

3. *We should state clearly and firmly our intention not to expand the war by the commitment of American ground forces to North Vietnam.*

We should reject Premier Ky's apparent inclination to carry the ground war northward—and our rejection should be both public and unambiguous. Secetary of State Rusk has made this situation serious by his refusal, at a recent press conference, to rule out the possibility of future American ground involvement in the North. Such an escalation of the war would be extremely costly in terms of American lives and resources. It would place the conflict in Vietnam far beyond any hope of negotiated settlement. I urge, therefore, that the Administration act swiftly to rule out any such eventuality.

4. *The International Control Commission should be expanded to provide effective control of the "demilitarized" zone, instituted by the Geneva Conference to separate the two Vietnams.*

Military activity has recently been extended into the demilitarized zone in response to the illegal presence of North Vietnamese troops and installations. I fully support the request made by the Administration to members of the International Control Commission that fully guaranteed international controls be set up to preserve the neutrality of the demilitarized zone.

5. *We should state definitely our intention not to extend the war to neighboring Cambodia.*

We should respect the sovereignty and territorial integrity of Cambodia by a careful deployment and use of American forces along its common borders with Vietnam. Yesterday, in reversal of its previous position, the United States conceded that its air units may have bombed a Cambodian village. If this is true, the Administration should offer reparations to the Cambodian people and should take steps to ensure against any further military action against Cambodia.

There are some signs of an improvement of American relations with Cambodia. We should act to preserve Prince Sihanouk's influence as a possible mediator in future negotiations. His position and prestige can serve as a valuable stabilizing force in Southeast Asia.

6. *I urge that the Administration specify the limitations of our air action against North Vietnam and in the South and that these limitations be strictly respected.*

Specifically, we must ensure against the bombing of the civilian populations of North and South Vietnam. I am concerned about the reported plans to expand the war into the Mekong delta area at the risk of indiscriminate bombing of the civilian population.

Furthermore we must avoid an escalation of the air war that might trigger direct Chinese or Russian entry into the conflict. Careful limitation of bombing along the Chinese border with North Vietnam is essential. Specifically, bombing should be limited to strategic military targets.

7. *Finally, while stressing political development in South Vietnam and the prudent and restrained use of our military power to support our political objectives, we should actively seek and encourage new forums for political discussion and negotiation.*

Once we have stabilized the political and military situation, by the patient, consistent application of the political-military policy I have urged, a framework for negotiations may begin to emerge. In the meantime we should give full assistance to the search for a political settlement.

The proposal for an Asian-sponsored peace conference on Vietnam, as suggested by Foreign Minister Thanat Khoman of Thailand, deserves our strong support. As an alternative to the reconvening of the 1954 Geneva Conference, an all-Asia conference would underline the responsibility of the Asians themselves to guarantee their own peace. It would also help to limit the issues involved in a settlement to those that immediately concern the security of Southeast Asia. The "old" issues of the Geneva Conference and the global interests of the major powers would not be as likely to impinge upon the settlement.

The coming challenges to our policy in Vietnam—whether they be on the battlefield, in the streets, at the ballot box, or around the conference table—will require a principled purpose and wisdom seldom demanded of any great power. If we allow events to overwhelm purposes, expediency to replace policy, or emotion to eclipse reason, we shall have failed the test of history. That test of our leadership is still open—as men everywhere watch to see which course the American government and the American people will take.

DO-IT-YOURSELF SECURITY

Mr. HICKENLOOPER. Mr. President, last Wednesday, August 17, 1966, in the Times-Democrat of Davenport, Iowa, one of the leading daily newspapers in Iowa, there appeared an editorial entitled, "Do-It-Yourself Security." The editorial deals with the retirement of the self-employed.

Mr. President, I ask unanimous consent to have printed in the RECORD the vigorous editorial of the Times-Democrat.

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

DO-IT-YOURSELF SECURITY

While many bills pending in Congress would curb or stifle private initiative, some seek to encourage individual industry and thrift.

One such bill is H.R. 10, which passed the House 291–0, and has to do with some changes in the Self-Employed Individuals Tax Retirement Act of 1962. It is pending in the Senate where Treasury Department opposition has kept it bottled up in committee. The Davenport Chamber of Commerce recently passed resolutions favoring the bill which has also the support of the U.S. Chamber.

Many are probably not familiar with the 1962 statute, which allows a self-employed person such as a farmer, professional man, or owner-operator of a small business to save money for his own retirement.

This is accomplished by permitting him to deduct 5 per cent of his income, up to a maximum of $1,250, when filing his tax return, providing he is putting twice the amount he deducts into a bona fide retirement plan.

Apparently few are acquainted with the law, since the Treasury Department reports that in 1964 only about one-half of one per cent of eligible taxpayers took advantage of the opportunity.

The new bill H.R. 10 would make this idea of do-it-yourself pension planning more attractive. It would allow all self-employed individuals to deduct not just half, but all, contributions to their own retirement plans up to 10 per cent, or a maximum of $2,500 a year.

This would benefit others besides the self-employed individuals. For the law requires the individual operator to set up also a private pension plan for his permanent employes. The law's present provisions are more favorable to employes than to the self-employed individual.

The bill would appear to have merit. In all corporate enterprises, large or small, employer contributions to employe retirement funds are deductible. The same should apply to the little fellow who has an unincorporated business.

It would seem wise for the government to take action encouraging a citizen to make private financial provisions for his later years, rather than discouraging it.

THE POLITICAL ATMOSPHERE IN THE UNITED STATES

Mr. FULBRIGHT. Mr. President, in response to questions from newspapermen, I said last week that the Russians, the Communist Chinese, and the North Vietnamese would all greviously deceive themselves if they underestimated the militant spirit which is abroad today in the United States.

This seemed to me then—and it seems to me now—a perfectly obvious comment upon the political atmosphere in the United States. Anyone who is at all conversant with American politics must recognize it.

But from this, it does not follow that my own views have changed. I believe now, as I did last week and last month, that the United States is dangerously overcommitted in Asia, and that its present policies are likely to lead to a larger and more dangerous war. I also believe now, as I did last week and last month, that a clear majority of Congress supports the President in his war policy—indeed many seem to be more determined than he is to escalate the conflict.

What I said was that the "Congress is more warlike than the President." This should be apparent to anyone, the most recent piece of evidence being the action of the Senate, following that of the House, in appropriating more money than the President asked for the Department of Defense.

Recognizing this fact does not mean I approve it, or that I have changed the views I expressed previously.

Although the Congress is more warlike than the President, it may well also be more warlike than the country. This remains to be seen. I regret and deplore the fact that both local newspapers in their eagerness to please the administration have grossly distorted my simple statement.

I continue to hope that ways may be found to bring the war to the conference table before it gets out of hand. But the longer negotiations are delayed, the more likely it is that they will become politically impossible.

THE PARALLEL BETWEEN VIETNAM AND IRELAND

Mr. FULBRIGHT. Mr. President, there is a fascinating parallel between Vietnam and Ireland, as I discovered in reading a review of three books of Irish history. The British, for a very long period shot, jailed, and starved literally

millions of Irish without putting out the flame of revolution. But once independence was given Ireland, the reviewer states, "the most successfully revolutionary country in Europe, and now the most conservative," was the result.

Revolution and its excesses can only be tamed by granting its nationalistic demands, concludes this very interesting review.

Mr. President, I ask unanimous consent to have printed in the RECORD the review by A. J. P. Taylor, entitled "A Very Special Case," which appeared in the New York Review of Books, July 28, 1966.

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

A VERY SPECIAL CASE

(By A. J. P. Taylor)

There is nothing commoner in history than oppression—of one class by another, of one religion by another, of one people by another. Even in this dismal record Ireland is a very special case. Nowhere did oppression go on longer, and nowhere was it so compact of all three characters, class, religion, and nationality. Ireland is a special case in another way. Nowhere, except in one corner, has liberation been more complete, and even the remaining grievance of the Order is losing its harshness. The nations of eastern Europe also liberated themselves after oppressions of varying durations, but only to fall under the domination of Soviet Russia. The Irish are truly their own masters. Nothing remains of the old tyranny except burnt-out barracks and ruined mansions. Odder still, the Irish, after a triumphantly successful revolution, have settled down into a prosaically conservative existence. Their bright boys complain that life is dull. Few would really have it otherwise.

The strangeness is not all on one side. The oppressors were also a very special case. This was not a story of despotic tyrants—Sultans, Tsars, or Kaisers. It was not even the story of a race usually brutal and ruthless, as, say, the Prussians have been. Quite the contrary. The English have been renowned throughout modern history as champions of liberty. Yet the more advanced and enlightened a British statesman was, the worse he behaved in Ireland. Oliver Cromwell cut off the king's head and defended religious freedom; he was responsible for the massacres at Drogheda and Wexford. William of Orange, The Liberator, led the Glorious Revolution; he was responsible, whether he liked it or not, for the broken treaty of Limerick. Lord John Russell promoted the Great Reform Bill; he was responsible for mass starvation during the Famine. Joseph Chamberlain, the great nineteenth-century radical, defeated Home Rule; Lloyd George, the great twentieth-century radical, launched the Black and Tans. Only Gladstone among British statesmen, had a spotless record, and his vision matured late in life. Otherwise an Englishman can only bow his head in shame. And now it is all over. The history of Ireland can be written in detachment, all passion spent, as though the oppression ended centuries ago. There is no resentment, no repetition of fradulent legends, and it is often difficult to tell whether the writer is a Republican, a Unionist, or even an Englishman.

The three books reviewed here are all examples of this historical impartiality. Taken together, they give a full and rounded picture of what is, fortunately, no longer "the Irish Question." Mr. Beckett was born in Belfast and is now a professor there. No one would guess this from his book, which is the best general history of modern Ireland. It is uniformly fair to every party from the Fenians to the Ulster covenanters. The Curragh mutiny and the Easter rising are presented in the same even tones. O'Donovan Rossa and Sir Edward Carson would have been alike surprised at the charity extended to them. Mr. Beckett emphasizes the injustices which the Roman Catholics suffered at the hands of the Protestant minority. He is less insistent on apprehensions the other way round and has, I suspect, a private belief that Protestants and Roman Catholics could get along very well in the same community. At any rate, this book by a citizen of Belfast asserts, in title, spirit, and treatment, the existence of a united Ireland. Nor does this reflect a spirit peculiar to Belfast. Mr. Coogan, son of a prominent Sinn Feiner, is equally dispassionate. He is interested in practical achievements, not in ancient feuds. Though he covers competently the shifting patterns of political change, his main concern is with the state of Ireland now and with what will come next. Perhaps the most remarkable part of Mr. Coogan's book is his discussion of religious issues and the interviews which he records with leaders of the different denominations. The Protestant spokesmen seem the most confidently Irish, and the Roman Catholics, though adroit, are clearly on the defensive. Mr. Coogan even managed to interview the prime minister of Northern Ireland in a friendly, sympathetic way, though admittedly not quite concealing his surprise that such a strange creature should exist.

Professor Mansergh's book, the work of a Cambridge professor, is perhaps the most historical of the three. It is concerned to explain, not to narrate. Professor Mansergh describes the approach of important nineteenth-century figures to the Irish question, and his presentation of the Continental view is particularly rewarding. He analyzes the development of Gladstone's ideas and shows how Ulster was elevated, rather artifically, into an obstacle against Irish emancipation. His book also contains regrets: regrets for British follies and misunderstandings, regret especially at the lost chance for Dominion status, a subject on which Professor Mansergh is an authority. Altogether it is a blessed relief that at least one subject in the world can be treated in purely historical fashion, without provoking political prejudice and abuse.

Ireland remains difficult even as a historical subject. Everything about it seems so clear now and was so obscure once. The Irish are a nation. They have long wanted their national freedom. Once they obtained it, they became a contented, conservative, and happy people. Why did it take so long to arrive at this simple solution? Why in particular did so many excellent judges insist that the problem was excessively complicated and that, whatever the answer, national freedom was not the right one? Of course there is no great puzzle in earlier times. Throughout the ages, almost until the beginning of the nineteenth century, oppressors were not ashamed of their wickedness or at the existence of discontent. No doubt humble Anglo-Saxons were discontented after the Norman conquest. This only made the barons fiercer and more brutal. The old-style answer to discontent and, still more, to political or religious separatism, was extermination. This was what the English hoped to achieve in Ireland in the seventeenth century, just as the British in America (now absurdly called "Americans") did with the Red Indians. Cromwell did not imagine that he was being cruel when he massacred Roman Catholics. He thought that for the sake of Ireland, and even for their own, they were better dead. Even the cautious, civilized Whigs who imported William III supposed, maybe rightly, that they were in imminent danger of extermination by Louis XIV and used similar measures in order to secure Ireland. After all, my predecessors as Fellows of Magdalen College were expelled by James II simply because they held out against his Roman Catholic illegalities; and I suppose that in their place I should have been eager to exclude Roman Catholics from public life.

The Irish problem emerged when men began to think that discontent was a reproach to those in power and something which ought to be remedied. These feelings originated with humanitarianism and with the doctrines of the French revolution. The Union with Great Britain in 1801 was meant to be an alleviating measure, for it was taken as preliminary (which did not come off) to Roman Catholic emancipation. Actually, the Union was Ireland's greatest misfortune in modern times. If the Protestant parliament in Dublin had survived a few years longer, it would surely have been reformed and become a genuinely Irish body without all the turmoil of revolutionary violence. As it was, Irish policy throughout the nineteenth century had to be made at Westminster and by British statesmen. They were nearly all men of good will. They nearly all recognized that something ought to be done for Ireland. But, in the perverse high-minded fashion of the age, they did not conclude that what should be done for Ireland should be what the Irish wanted. On the contrary, in Ireland, as in most other spheres, Victorian statesmen imagined that they knew what was good for people better than the people did themselves.

The Irish wished to govern themselves in their own national state, as was asserted by every Irish leader from O'Connell to De Valera. British statesmen other than Gladstone consistently refused to meet this wish, and historians usually imply that they did so for selfish British reasons—the maintenance of the great landed estates or of the Protestant church, military security, or the separate character of Ulster. British politicians certainly used these arguments, but I think they did so mainly because they genuinely believed that Irish independence was not in the interest of Ireland herself. They "invented" the obstacle of Ulster for this reason, though, once invented, the obstacle became real enough. Professor Mansergh shows that the lack of faith in national freedom was not peculiar to the British. Cavour did not think it the right solution for Ireland, despite his work in unifying Italy. Even Mazzini was doubtful. So, one may add, were many Irishmen, and not entirely without cause. The Irish were truly in a muddle after centuries of oppression. They were not really sure that they could rule themselves entirely alone. They were not even sure that they were a true nationality. The enthusiasts of the Gaelic League who proposed to revive the Irish language at the end of the nineteenth century implied, by so doing, that the Irish would not be a distinct nationality unless they had their own language. Events have proved them wrong. Irish has not been restored as a living language. Yet few would now dispute that the Irish are a nation.

The nineteenth century is a long record of giving the Irish what they ought to want and of repeated disappointment when they were not satisfied with it. The behavior of the British government during the Famine is the most wrong-headed example. British policy was excessively wicked. It could have saved a million Irish people from death by starvation and refused to do so. But it claimed to be acting for the most enlightened reasons. The Irish ought to have wanted to become an advanced industrial country like Great Britain, and they could not do this so long as Ireland remained predominantly agrarian. "Economic law" would be her salvation. Even Gladstone tried many evasions before he arrive at Home Rule—disestablishment of the Protestant church, security of

tenure for the peasants, better education, more railways. Home Rule was something of an evasion, perhaps encouraged by Parnell himself—a belief, as well as a hope, that the Irish did not really want full national independence. At the very end, when peace was made, some of those who supported the treaty did so because they held that nothing better could be attained. But some, including Griffith, supported it because attentuated union with Great Britain, in the form of Dominion status, was what they genuinely wanted.

There was a further difficulty in the way of Irish independence. During the course of the nineteenth century it came increasingly to be believed that any revolution must be social, indeed Socialist, in character. Marxists and Communist claimed to be the only serious revolutionaries. Ireland was about the last place in Europe suited for a Communist revolution. Hence it seemed to follow that the Irish did not really want a revolution after all. There were attempts to evade or to ignore this difficulty. Marx himself took the view that the British working class were corrupted, that is non-Marxist, because they cooperated in the oppression of Ireland. An Irish revolution would therefore free the British workers also. In fact, nothing of the kind happened. The break with Ireland removed a radical, if not a revolutionary, element from British politics, and one reason for the persistent docility of the British working-class movement in the last forty years has been the lack of Irishmen to stir it up. James Connolly carried the evasion further when he founded the Irish Citizen Army and so imagined that he would capture the national movement for socialist policies. In the event, he was captured—literally—by the national revolutionaries and gave his life solely for national freedom. The conclusion seems inescapable. The desire for national independence has been the strongest cause of revolutionary activity in modern times; social discontent is trivial in comparison. Ireland demonstrates this truth; the most successfully revolutionary country in Europe, and now the most conservative.

Perhaps this is not the end of the story. Northern Ireland is becoming more Irish in spirit, maybe even in economic ties. Ulster separatism may soon appear the curiosity of a short historical period. Is Irish separatism becoming a historical curiosity also? In a few years' time, there will be Free Trade between Ireland and the United Kingdom. More than this, Ireland is losing her separate character. The native language never got off the ground. Many Irishmen earn their living in Great Britain, and Ireland is becoming a favorite holiday resort for English people, indistinguishable from Cornwall or North Wales. For years past moderate leaders in Dublin have been saying that once the Border with Northern Ireland disappeared Ireland would again become a Dominion. This is more likely to happen in practice than in theory. We are convinced now that national independence was the right and only answer to the Irish question. It may be only a passing phase. Fifty years on, those who insisted that the Irish ought to want something else may be vindicated. However, it is difficult enough to make sense of the past, and the future must look after itself.

THE BEHAVIOR OF POWERFUL NATIONS

Mr. FULBRIGHT. Mr. President, even though it is generally believed that great and powerful nations do not learn from the experience of other nations, since powerful nations always believe they have divine guidance, nevertheless, it is interesting to observe how other powerful nations have behaved.

In the New York Times Review of Books, Richard Lowenthal reviews "Russia and Germany: A Century of Conflict," by Walter Laqueur.

Mr. President, I ask unanimous consent to have printed in the RECORD the review which was written by Richard Lowenthal.

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

THE ROOTS OF HELL—"RUSSIA AND GERMANY: A CENTURY OF CONFLICT," BY WALTER LAQUEUR

(Reviewed by Richard Lowenthal)

There can be no doubt that the map of Europe and the constellation of world powers would be utterly different today but for Hitler's decision to attack Russia. Without it, Russian troops would not now stand on the Elbe; large parts of Europe would not have fallen under Soviet domination; Germany would not be divided. It is not even certain that Hitler would have been defeated at all; conceivably, he might have succeeded in invading Britain before the United States entered the war, and might have retained control of the main part of the continent. Yet no strategic necessity, no insoluble diplomatic conflict forced the victorious Fuehrer to follow Napoleon's road to Russia and catastrophe. Apart from his sneaking respect for Britain and his reluctance to face the dangers of a cross-channel invasion, his crucial motives were his belief in the inherent weakness as well as the ultimately irreconcilable hostility of the Bolshevik regime, and his vision of a leaderless Russia as the natural field for German colonial rule, the natural long-term basis for German world power.

If Hitler was driven to his own destruction by ideological blindness, Stalin, his successful antagonist, had shown hardly more perspicacity. His stubborn refusal to recognize Nazism as an independent force and a great potential danger to the Soviet Union before 1934—to see Hitler's movement as more than an exchangeable tool of the German monopoly capitalists, and to take seriously its widely publicized anti-Russian program—had been one of the contributory causes of Hitler's rise to power. Stalin's inability to imagine that Hitler would gratuitously attack the Soviet Union when he could have forced it to yield important concessions without war led the infallible Vozhd in 1941 to dismiss the mounting evidence of Hitler's military preparations in the East as a mere prelude to diplomatic blackmail, and to refuse to be "provoked" into putting Soviet defenses in a state of readiness. He won in the end, thanks in part to allies he had persistently distrusted, after helping to bring untold devastation and suffering to his country—first by underestimating Russia's most dangerous enemy, and then by mistaking him for a realistic and calculable (and in that sense reliable) partner in the diplomatic game.

The attack of 1941, and its consequences that are still with us, thus cannot be understood without looking for the roots of the mistaken and indeed absurd ideas that Nazis and Bolsheviks, and more particularly Hitler and Stalin, entertained about each other in the teeth of all evidence. It is around this central theme that Walter Laqueur, Director of the London Institute for Advanced Studies in Contemporary History (into which he has transformed the Wiener Library) has written a fascinating and highly useful, if somewhat uneven, book. According to the Preface, the book had been intended to deal with the even wider subject of "what Russians and Germans have thought about each other in this century," and the opening chapters do indeed offer many illuminating glimpses into the earlier history of mutual admiration and contempt, mutual influence, misunderstanding, and hostility between these two nations. But the upshot of these earlier developments is necessarily inconclusive. For even if the element of hostility may be said to have gradually increased before the First World War, owing chiefly to the growth of a modern upper class in Russia and the corresponding loss of influence by the German Balts and other "Russian Germans," nevertheless in the Twenties the open and secret cooperation between the Soviet government and the Weimar Republic was widely approved in Germany and followed with great hopes in Russia.

It is, then, not Russian and German ideas about each other in general, but Nazi and Bolshevik ideas that are relevant to the turning point of 1941. It is in this field that Mr. Laqueur's painstaking and imaginative study of often recondite sources—from the publications of the Russian extreme Right both under the Tsar and later in exile to the early writings of Hitler's Baltic "mentors," and from Soviet doctrinaire discussions about the nature of "Fascism" to captured German police reports about the German Communists' attitude to the rising Nazi movement—has produced some striking discoveries. Mr. Laqueur shows in detail that the "Protocols of the Elders of Zion," first forged and propagated in Tsarist Russia, gained a wide European audience only when used after 1917 to "explain" the Russian revolution as the result of a Jewish conspiracy, and that Rosenberg and other Baltic friends of Hitler literally copied their interpretation of Bolshevism as the triumph of the Jews and other lower races over Russia's Germanic elite from the Russian extremist émigrés. But in passing through the minds of the German Balts, this "theory" acquired the new conclusion that a state deprived of its natural elite must necessarily be weak and that the Russian Slavs, lacking a native master race, would have to submit to German conquerors once their Jewish Bolshevik oppressors had been overthrown. Hitler's view of Russia, Mr. Laqueur suggests, was formed from these sources at an early stage and was never substantially revised; even the evidence of Russia's growing industrial and military strength, though freely used by Hitler in the Thirties in order to present himself to German and foreign conservatives as their protector against the "Red Peril," did not shake his own conviction of the "fundamental" weakness of the hated regime.

Recognition that Hitler's view of Russia and Bolshevism was so closely integrated with the core of his world view does indeed offer a clue to the method underlying the madness of 1941; one recalls that in October of that year, even though stopped at the outskirts of Moscow, the Fuehrer was so convinced that the campaign was all but over that he ordered a drastic cut in important branches of German arms production. But this view was not in the mainstream of German nationalist thought about Russia; as Mr. Laqueur reminds us, on his return from Landsberg fortress in 1925 Hitler had to fight a strong "National Bolshevik" faction in his own party, which saw the cooperation between the German and Russian armies as reflecting a natural kinship between the Prussian and Russian forms of "national socialism." That he defeated this faction quickly and decisively, and later easily triumphed over all rival groups holding similar ideas, can only partly be explained by the impact of his personality. The outcome suggests that those officers and intellectuals who reacted to the upheaval of the times by adopting a "national-revolutionary" outlook were less important for the victory of a totalitarian mass movement of the Right than

the far more numerous uprooted middle-class elements still seeking to cling for their self-esteem to conservative values. The myth of the revolutionary conspiracy appealed most effectively to them: It was their outlook that Hitler expressed, their self-destruction that he ultimately accomplished.

The early Soviet hopes for a swift advance of Communist revolution in industrial Europe and largely centered on Germany; they changed even during Lenin's lifetime into a more realistic determination to exploit the conflict between defeated Germany and the Western powers in order to prevent an effective capitalist encirclement of Russia. Henceforth, the policy makers of Weimar Germany were judged in Moscow not according to their position on the "left" or on the "right," but according to the value they placed on secret military cooperation with Russia or to their inclination to sacrifice it to an understanding with France, then seen as the most actively anti-Soviet power in Europe. By that token, the Reichswehr appeared as the most reliable, the Social Democrats as the most dangerous force in Germany.

Stalin, with his characteristic mixture of doctrinaire rigidity and practical cynicism, formed his attitude toward the rising Nazi movement in this context. Doctrine convinced him that "Fascism" and "Bourgeois Democracy" were "only" different political forms of the "dictatorship of the bourgeoisie," that Nazis and Social Democrats were "twins," related as the right and left arms of the same ruling class, and that if the Nazis ever came to power, they could not possibly carry out a policy independent of the wishes of their "masters." Preoccupation with French "interventionism" and with the danger of a Franco-German *rapprochement* explains why Soviet leaders and the Comintern saw the Social Democrats as the chief enemy in Germany right up to Hitler's victory, and why they imposed on the German Communists a view which prevented any concerned working-class action against the Nazi threat while there was time. Mr. Laqueur, having patiently traced the stages of this policy as well as its doctrinaire justifications, presents evidence that refutes conclusively the Communists' later claim of having been the most consistent fighters against the Nazi danger from the start; but he finds no evidence for the opposite thesis according to which Stalin or the Comintern is alleged to have deliberately favored Hitler's rise to power—whether from fear of a German revolution or in the hope that it would prove the prelude to it. Everything points to the conclusion that Stalin contributed to Hitler's victory not knowingly, but precisely by his failure to understand that a Nazi regime was a serious possibility, and that it would differ substantially from all that had gone before.

It was only in 1934 that Hitler's pact with Poland, his purge of the stormtroopers, and his murder of General Schleicher convinced Stalin both of the strength of the new regime and of the seriousness of its anti-Bolshevism. From playing Germany against the West, Soviet policy now turned to playing the West against Germany; but Mr. Laqueur reminds us that Soviet feelers for improved relations with the Third Reich were repeatedly undertaken long before Hitler took them up in 1939, and that the tactical turn toward a united front with the democracies against "Fascism" was accomplished without serious reexamination of the esoteric doctrine about their "fundamental" equivalence. As a historian, he thus sees no grounds for surprise at the Stalin-Hitler pact, and even presents a fair case in favor of Stalin's decision to divert the war from his threshold at the last moment. What strikes him as odd is that while Hitler's basic hostility remained quite unshaken by this act of expediency, Stalin still failed to perceive it and hoped to the end he could avoid the fatal clash.

Mr. Laqueur unfolds this record of *hubris* and folly without once raising his voice; his astringent understatements are calculated to let the ironies of history speak for themselves. Not the least of his merits is the demonstration that the Soviet interpretation of Nazism has not been corrected even now: Stalin's successors, who delight in smearing their various opponents as "new Hitlers" on every occasion, have not published a single serious study of the Nazi regime. Their general textbooks of contemporary politics continue even to ignore the Nazi extermination of the Jews. Instead, they repeat the old dogmatic twaddle—including long disproved forgeries about the alleged financing of Hitler by American Jewish capitalists.

This continued Soviet failure to reexamine the nature of Nazism is due in part, as Mr. Laqueur suggests, to the difficulty of doing so within the frame work of dogmatic Marxism, but in part also to the embarrassingly close parallels between the power structures of the Bolshevik and Nazi regimes. One of the questions he has left unexplored is indeed to what extent the two movements learned from as well as misunderstood each other.

Did not Hitler's description of Bolshevik tyranny in some ways foreshadow the blueprint of his own dictatorship? There seems to be no clear evidence that the Fuehrer made an early study of the techniques of Communist one-party rule; but Mussolini certainly did so, and Hitler consciously copied his example after his return from the fortress. Stalin, in turn, may have been inspired to his purges, as Krivitski has suggested, by the example of Hitler's device of killing various actual and potential opponents in June, 1934, under the pretext that they had joined in a common conspiracy against him. Even more significant, the possibility of a legal road to Communist power, as first tested in the "popular front" strategy of the mid-Thirties and again in the early post-war years, may have occurred to Stalin under the impression of Hitler's "legal" revolution. Again, it is instructive to recall the endless Nazi ravings about the role of the political commissars in the Red Army in connection with the creation of a similar institution in the last year of the Nazi regime, after the "general's plot" had been foiled. Below the surface, a sense of kinship seems to have coexisted in both regimes with their mutual hatred.

After the crucial date of 1941, Mr. Laqueur does not quite sustain the high standard he has set in the main part of his work. The single chapter entitled "Days of Wrath 1939-63" is a *tour de force;* it displays on the whole the imaginative understanding to which the reader has by then become accustomed, but there are strange omissions and occasional unfounded judgments. One misses, for example, any mention of the peace feelers Stalin addressed to Hitler in 1943, during a grave crisis in the Grand Alliance, or a discussion of the indications that the "National Committee" of captured German officers was at first intended as a serious signal to the German High Command and only later downgraded to a mere propaganda device. Russia's role in the post-war partition of Germany cannot really be treated without taking note of the Marshall Plan and her refusal to join in.

Laqueur's statement that the Russian leaders who considered terms for sacrificing the East German regime after Stalin's death were a minority from the start is contrary to the best evidence now available. The Rapacki plan of 1958 was *not* a plan for "military disengagement and a neutral zone free from nuclear weapons," but for a denuclearized zone in Central Europe which would continue to be occupied by the opposing Russian and U.S. forces. The account of West German attitudes toward Eastern Europe, stressing the absence of guilt feelings and indeed of any serious interest, is also superficial and oddly out of date.

Yet these weaknesses are peripheral to the main theme of the book. The real contribution of the final chapters to that theme lies in the account of how, with the German attack, the doctrinaire prejudices of the ruling parties were superseded by a clash involving two entire nations in unprecedented horror and violence. "What Russians and Germans think about each other" has since come to be determined primarily by this experience—the Russian experience of German invasion and crimes, the German experience first of Russian poverty, then of the same crimes and the fear of retaliation, and finally of the Russian counterinvasion and all that followed. Today, the Russian fear of a strong Germany rooted in these events is one of the causes of the persistence of German partition and of the presence of Russian forces in the heart of Europe. This in turn, by maintaining both political conflict between Germany and Russia and a military imbalance in Europe requiring the presence of American forces, is one of the main factors of political rigidity and military tension in the present world. One final irony is that Stalin, by taking the road of German partition, brought about the very alliance of the main part of Germany with the West which he had striven a quarter of a century to prevent. The story of human folly in Russo-German relations, which Walter Laqueur has told so well, is not yet at an end.

VIETNAM: THE LESSONS OF WAR

Mr. FULBRIGHT. Mr. President, one of the most knowledgeable writers about Vietnam is Jean Lacouture. To those who wish to have some understanding of our war in Vietnam, I commend Lacouture's article from the Review of Books entitled "Vietnam: The Lessons of War."

Mr. President, I ask unanimous consent to have printed in the RECORD the article by Jean Lacouture entitled "Vietnam: The Lessons of War."

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

VIETNAM: THE LESSONS OF WAR

(By Jean Lacouture)

"On the long thin coast of Vietnam," wrote John K. Fairbank in the last issue of this paper, "we are sleeping in the same bed the French slept in even though we dream different dreams."

The dreams of course are very different but so are the beds and the dreamers themselves. Let us compare them and see when the end of the night may come.

Nothing could be more valuable for American leaders at the moment than a close examination of the disastrous errors made by the French in Indo-China from 1945 to 1956. To know the faults of a friend may not cure one's own, but from France's experience America might well learn something of what has gone so dreadfully wrong in Vietnam today.

The French had three great dreams for Indo-China and each led them into a different and more ugly phase of the war. At first, in 1946, they clung briefly to the dream of re-establishing their prewar empire in Indo-China. Indeed, for one hopeful moment they seemed to be on the verge of a promising new colonial policy: General Leclerc, sent out to "reconquer" the territory, decided instead to negotiate with the Vietnam revolutionary leader, Ho Chi Minh. Leclerc recognized Ho's Vietnam as a "free

state," connected with France, but controlling its own diplomacy, army, and finances. This was the first agreement made between a European colonial power and the Asian revolution—and one of the shortest-lived and saddest in retrospect. For within weeks the intrigues of colonialists in Saigon and Paris and extremists among the Vietminh and its nationalist allies succeeded in scrapping it. The way was now open for France to plunge into full-scale colonial war. But it soon became clear to everybody that this would have been a hopeless venture, doomed from the start by the half-ruined state of France, the lack of an air force and navy, and the disapproval of the Russians and Americans.

At this point the French conceived their second Indo-Chinese dream which led them into a second war, lasting from 1948 to 1951. Now they would transform their colonial struggle into a Civil War. Against Ho's Vietminh they would set in opposition the "independent" Emperor Bao Dai, encouraging him to cultivate his own anti-Communist but nationalist leadership—a policy described by the distinguished scholar Paul Mus as "nationalist counter fire."

Perhaps it might have succeeded if the nationalists had been given a chance to make it work. But their power and prestige and autonomy were always limited. While Vietnamese and French troops died courageously, Bao Dai preoccupied himself with tiger hunting, his ministers with profiteering. The Vietminh methodically liquidated Bao Dai's officials, dominated the countryside, and organized its soldiers into divisions soon after the Chinese Communists arrived on the Northern Frontier in 1950.

After this decisive event and the outbreak of the Korean War, France dreamed once again of transforming the nature of the war in Vietnam, this time into an international conflict with Communism. In September 1951 General de Lattre arrived in Washington to argue that France, faced with Vietminh subversion supported by Communist China, now needed and deserved to have its risks shared. He was given both credits and weapons. But later, in 1954, on the eve of Dien Bien Phu, the French government demanded far more: It requested that several hundred American bombers be ordered to attack the enemy from Manila. To these requests Washington finally responded that "Indochina does not fall without the perimeter of the area vital to the defense of the United States."

We can now admire the wisdom which led President Eisenhower to reject both the agitated appeals of the French and the advice of Admiral Radford and Vice President Nixon, both of whom recommended intervention. But we may well ask why a country not considered of "vital importance" to American interests in 1954 became so in 1965. The Communist camp, after all, is no longer a monolithic force able to exert unified global pressures as had been the case in 1954. In Korea, moreover, Chinese had recently been fighting American soldiers, something they have since refrained from doing; and missile strategy has meanwhile diminished the importance of local airforce bases. One can only conclude that the diplomatic views of American leaders have hardened during these years. In the light of Mr. Rusk's performance the diplomacy of John Foster Dulles must be reconsidered and credited with an admirable flexibility.

Thus France launched three wars in Indo-China and lost them all. Its allies having refused to provoke a brutal extension of the war in order to avoid a local defeat, France's dream of an International anti-Communist "crusade" collapsed at Dien Bien Phu in the spring of 1954. General Giap destroyed France's main combat force; the Vietminh controlled two-thirds of Vietnam; and neither Hanoi nor Saigon were protected from attack.

Ho Chi Minh had offered negotiations six months before this debacle and had been ignored. Now Moscow and Peking were agreeable to an international détente and Washington seemed prepared to accept the consequences of its failure to intervene. Thus at the Geneva conference table in 1954 the Western powers benefited from a certain complicity on the part of Molotov and Chou En-lai: The West succeeded in wresting from the victors half the territory and the larger part of the material wealth of Vietnam. Ho agreed to fall back to the north in exchange for a promise that elections preparing the way for unification would be held in 1956—elections that he had no doubt of winning.

A great deal of confusion surrounds this Geneva settlement. It must be emphasized that the only texts signed at Geneva were the armistice agreements between the French and the Vietminh. No one at all signed the "final declaration" of the conference—both the United States and South Vietnam had reservations about it—and it carried only the force of suggestion. But apart from the North Vietnamese, the French were the only nation that formally guaranteed to carry out the Geneva accords that provided both for partition at the 17th parallel and for election.

And now France committed a new error (its last?), dreaming this time that it might finally leave Vietnam and forget it altogether. Diem, now installed as dictator in the South, wanted the French to quit his country as soon as possible. This was not only because certain French interests were intriguing against him—something that helped strengthen his position as a nationalist leader—but also because the French Army was the only force that could compel him to hold elections in 1956. In the event, the French quickly yielded and the last of their army departed in April 1956.

The consequences of this final French error were, and remain, enormous. Diem was now free to declare himself free of all the Geneva obligations and soon did so with American encouragement. The South could now be reorganized as an anti-Communist bastion, from which a reconquest of the North could evenutally be launched. The Diem government in fact soon created a Committee for the Liberation of North Vietnam, which, beginning in 1958, parachuted agents into the North, notably into areas such as Vinh, where Ho's agrarian reform had provoked violent peasant uprisings. But meanwhile the North, considering itself cheated by Saigon and Washington (with France's cooperation), began preparation to exploit the political and social discontent in the South to establish a base for subversive operations. And Hanoi was to show itself far more adept at this political game than Saigon.

Could the French have resolved this Vietnam problem? In fact, they were confronted by two immensely volatile forces whose demands would have shaken any Western government, as they are shaking the United States today. First, the demands of a people thirsting to overthrow colonialism and to recover their national identity, their freedom of maneuver, and their unity. But also the demands of a revolutionary group, supported by one of the great power blocs, which claims the right to impose its authority on the entire nation in the name of a Communist doctrine highly suspect to the majority: a group, nonetheless, whose heroism, discipline, and ruthlessly effective methods seem to assure its success.

It is the deep and constant intermingling of these two forces which have made the Vietnam problem seem so hopeless and defeating to the West. How can a Western government successfully sponsor an independent "nationalist counterfire" when the strongest feelings of many Vietnamese have been invested for many years in the local civil war; and when one finds among those who have rallied to the Vietminh, and then the Lao Dong and the NLF, a great many patriots, drawn to the organization because they believe it to be the hope of Vietnamese nationalism, capable of defeating colonialism and Western domination.

Perhaps it might have been possible for the French to disassociate the nationalist inspiration in Vietnam from the Communist organization. But to do this would have been very difficult. For to gain the confidence of the nationalists I believe that French aid to Vietnam would have had to meet three extremely demanding conditions: that the donor of the aid would have no right to intervene directly in the government; that the aid would be given to the most worthy leaders; and that it would not lead to the creation of oligarchies of profiteers and a climate of corruption.

By all these standards the French failed. If they ever had a chance to survive the Asian revolution, they lost it, basically, because they were unwilling to alter their patronizing colonialist attitudes and deal with Asians with some sense of mutual respect or cooperation. For the most part they preferred instead to appoint and then control the manageable, the incompetent, and the operators, many of whom made fortunes out of the corrupt French aid program.

Opposed in Vietnam, then, were a coherent, principled, and implacable revolutionary movement of militants organized in the villages—the country's fundamental social and economic unit—inspired by an evident nationalism and posing as defenders of stern justice and equality; on the other hand, a regime obviously supported and controlled by foreign powers, partly composed of former colonial officials, disdainful of peasant claims, tolerant of a social order where the influential and successful were frantically engaged in profiteering—preparing for the arrival of the inevitable catastrophe. The only possible result was a catastrophe on the scale of Dien Bien Phu.

How relevant is the French experience to Vietnam today? Certainly the American situation is different in important respects, but really how different? For example, the United States has no colonial past in Vietnam, no strictly imperialistic drive for economic gain. But its objectives are, curiously, both more altruistic and more imperious than those of its predecessor. After all, a country seeking colonial profits is quite capable of making a compromise to preserve at least some of its endangered wealth. But what of a country that supposes itself to be defending a selfless principle? In fact, the United States does seem to have several fairly concrete motives: e.g., to prove to certain nations that it is faithful to its alliances; to show the underdeveloped peoples of the Southern Hemisphere how costly it can be to choose "Marxism-Leninism." There would seem to be sufficient elements of calculated self-interest here to make realistic bargaining possible—on the basis of spheres of influence, for example.

A second difference concerns the size and power of the forces involved. General Westmoreland not only commands a good many more troops than General Navarre (750,000 as compared with 500,000) but he is also relatively free from the financial, logistical, and transport problems that plagued the French. A far greater advantage, however, lies in America's enormous fire power as well as its air force and complete mastery of the sea. It is no exaggeration to say that the United States and South Vietnamese forces are now twenty times more powerful than the army of General Navarre (which had no more than eighty combat planes at its disposal during the battle of Dien Bien Phu).

The small size of the present theater of operations in South Vietnam thus becomes a favorable factor of great importance: The French forces were charged with the defense of all Indo-China, a territory four times the present size of South Vietnam.

But given these advantages can it be said that the United States is now succeeding where France was forced to retreat? Of course, one answer must be yes, in the limited sense that it is impossible to imagine that the United States suffering a major defeat in the present circumstances. During the past year President Johnson has been able to dispatch enough American troops to Vietnam to avoid another Dien Bien Phu, but beyond this the situation is less than hopeful. The arrival of over 100,000 troops has done no more than stabilize a deteriorating military situation; it did not result in a sharp swing of military advantage to the Western side, as certain observers had expected. The military map published on January 30 in the New York Times showing four-fifths of the South "under Vietcong influence" must be regarded as accurate, notwithstanding contrary claims by officials. (Incidentally, this map recalls the military charts the French press did not dare to publish 12 years ago. The American public has recently been getting far more information on the Vietnam question from the press, television, Senate hearings, etc., than was ever available in France.)

The fact is that American policy in Vietnam, although originally inspired by very different intentions, now resembles all too closely the disastrous policy of the French. The United States has also failed to solve the problem of providing support to genuine local leaders without excessive intervention in the country itself. Indeed, it can be said that the French—perhaps hypocritically—did nevertheless succeed in transferring some responsibilities to the Vietnamese: These were quite feeble ones in military matters, rather more important in politics, and nearly total in such administrative work as tax collecting. By contrast, we are now seeing the progressive Americanization of both the war and the country itself: The influence of the local military headquarters grows weaker; the efficiency of the government in Saigon continues to decay; American experts have taken over a great many local functions. Of course one understands the concern for efficiency, but the psychological effects are hardly calculated to encourage the emergence of authentic nationalist leaders at the present time, as Roger Hilsman forcefully pointed out in his recent testimony before the House Committee on Foreign Affairs.

Certainly the Americans have done no better than the French in finding worthy non-Communist leadership. There is no need to reexamine now the tragic liquidation of Diemism, an event made inevitable by the sectarian religious isolation and the oligarchic obstinacy of the Ngo family. But since then, what decadence! Sad mandarins from certain conservative milieux in Saigon—courageous and outdated men—are followed in office by juntas composed of young generals-of-fortune who add a new star to their shoulders after each defeat in battle.

As for the moral climate in Saigon, one can only say that the corruption which dominated the life of the city's elite in 1953 has now been democratized. Shady dealings having to do with aid and military programs are no longer confined to people in high places, but seem to involve every kind of business. Testifying before the Senate on February 4, Mr. David Bell, the Director of Foreign Aid, said that he knew of no black market in Saigon—which only shows that a brilliant and hard-working official has had no time to stroll along the streets of a town where someone begs you to break the law at every step.

It would be wrong to predict a priori that President Johnson's new "counterinsurgency" and "pacification" programs, based on plans for economic and social development in the Southern villages, will fail as totally as did the quite similar plans sponsored by the French and later by the Diem regime. Can they produce a qualitative change in Vietnamese attitudes toward the present government and the United States? What *can* be said is that any efforts by political and army leaders in the South, however doubtful their results, will surely be more effective than the current bombing of the North. I will not take up the moral aspects of these attacks. It should be sufficient to examine their diplomatic and military results thus far. According to predictions made in January 1965, several weeks of daily raids would bring the North to its knees and thence to the negotiating table. In fact, Messrs. Ho and Dong have since toughened their demands, passing from the relatively flexible "four points" of March 8th to the recent letter of January 31, which refers to the NLF as the "only representative of South Vietnam"; until then, Ho had mentioned only the NLF "program."

As for military results, we must realize that the bombing of the North has no overwhelming impact on a people who only recently emerged from a resistance movement and are now being trained to return to one; for the most part their lives are not greatly affected by the destruction of a bridge or a truck depot. On the other hand, in January 1965 there were two Northern regiments in the South, while now in February 1966 there are eight. Furthermore, the combat reserve forces in the North are numerous enough to permit the dispatch of more Northern troops to General Giap in the South every time the United States escalates the bombing. The American public has been told that the North is being bombed to save American lives. But, on the contrary, it seems clear that the bombing in the North only increases the pressure on General Westmoreland's troops. The American foot soldier must pay for the destruction caused by the American Air Force. And if Hanoi itself is bombed, we may be sure that the Vietcong forces have well-laid plans to take atrocious vengeance on Saigon, a city they have both infiltrated and surrounded. The adversaries have now sunk their claws into each other and so long as the ground fighting continues, we may expect that each blow will be followed by damaging reprisals.

Thus a political solution becomes all the more urgent although unlike the settlement of 1954, it will not be preceded by a military disaster. But here American diplomacy is the victim of its own myths. Because the United States government has decreed from the first that the war in the South was originally provoked by invasion from the North, it has insisted that a solution must be negotiated with Hanoi, and only with Hanoi.

A false historical analysis has led to a political impasse. For a careful study of the history of South Vietnam over the last ten years will show that from 1956 onward, strong resistance groups, the surviving members of political-religious sects crushed by Diem, were in active opposition to the regime in the South; they were in fact already called "Vietcong" by the Diem regime at that time. Furthermore, this essentially nationalist dissident movement gained added support as a result of the rural discontent which led Diem to suppress the elected municipal councils in 1957; it spread further after the promulgation of the terrible law of 1959 which prescribed the death penalty for all "accomplices of Communists"—and Communism comes cheap in South Vietnam. At this time the resistance was composed of nothing more than Southern groups organized in self-defense against Diem. Hanoi had made no connection with them. The North Vietnamese did not begin to exploit this situation and infiltrate agents until 1959; and it was only after pressure from a Southern congress of "former Vietminh resistants" in March of 1960 that they prepared to intervene. At the Northern Communist Party Congress in September of the same year the Hanoi government gave direct encouragement to the revolutionary activities in the South. Still, it was not until November 11, 1960, following an attempted military Putsch against Diem, that the Vietcong—feeling the pressure of competition from military nationalists—gave itself formal identity and established a political headquarters by creating the National Liberation Front.

Today it is clear that the NLF leaders are closely linked to Hanoi, on which they depend for much of their supplies and arms. But anyone concerned with a peaceful settlement in Vietnam should be aware of both the local origins of the Front and its strong persisting regionalism—its attachments to the milieux, traditions, economy, and countryside of the South which give it a fundamental autonomy.

And yet, notwithstanding the fact that the Southern origins of the Vietcong insurrection have been carefully confirmed, no element of the Vietnam problem has been so neglected, especially in American official circles. We may be astonished, for example, that the immense, spectacular, and probably sincere efforts of recent American diplomacy to persuade Hanoi to negotiate finally produced, after thirty days of pause in bombing, a single defiant letter. Yet, America is dealing here with a small and poorly armed country; its allies are reluctant to give it aid too openly, fearing a crushing American reponse. Certainly it is a Communist government, but one presided over by a man who in 1946 and 1954 was able to prove to the French his willingness to accept compromise. And of the four points posed as conditions by Hanoi last year, Washington now accepts three. Why then doesn't Ho play Lyndon Johnson's game? In a conference the North Vietnamese would hold so many trumps that their present position is hard to understand.

But perhaps they were not in a position to negotiate at all. If we look back over the history of the NLF we find support for the view that Hanoi is not able to speak for the Front. First for psychological reasons: The published program of the NLF expressly mentions the possibility of an independent South Vietnam; and it looks forward to forming an alliance with Laos and Cambodia only. Thus it seems most unlikely that the Front would consider itself adequately represented by the Northern government. Finally, there may be a purely practical reason. Combat conditions in the South are such that it is by no means certain that a decision or an agreement even if approved by the NLF would be supported by all the fighters in the field.

If we are to undertake a serious and credible search for peace in Vietnam, we must take account of this diversity of the Southern resistance; we must recognize that it is in fact a federation of *maquis* of different ages and differing inspiration, and that it is not as yet completely unified.

There is not as much geographic and psychological distance between the typical Southern military chief and Ho Chi Minh as there is between Ho Chi Minh and Mr. Kosygin. But to be effective now in Vietnam diplomacy must certainly take account of the *maquisard* and his part in the war. It must also attempt to understand the role of the Central Committee of the NLF, where Maoist influence is strong but where all tendencies coexist; of the Lao Dong party in Hanoi, with its pro-Chinese and pro-Russian factions;

and the Political Bureau in Peking, with its cast of performers, both civilian and military. And finally we must comprehend the very complex position of the Soviet Union, which is quite unwilling to sacrifice either its policy of peaceful coexistence or its commanding position as leader of the Communist world. If the diversity of governmental levels, alliances, and forces involved in the war presents difficulties, it also offers many more chances for an alert diplomacy than were available during the monolithic conflict of the Cold War.

It is true that American leaders now argue that to recognize the Vietcong is to admit defeat. A curious intellectual position indeed—to refuse to recognize your adversary for what he is. Perhaps it is worth recalling that in December 1953, after Ho Chi Minh had first announced himself ready to negotiate, the French Socialist, Alain Savary, suggested to Georges Bidault (then Foreign Minister, now living in Brazil) that he seek Ho out for talks. "You only make them bigger by talking to them," said Bidault—who did finally talk with Ho's delegate at Geneva, but after the fall of Dien Bien Phu.

"Recognizing" the Vietcong certainly will not solve the problem of peacemaking in Vietnam at a stroke. It would nevertheless be an extremely constructive idea to focus diplomatic attention firmly on the South at the present time—without meanwhile ceasing efforts both to make contact with Hanoi and to assess Communist Chinese intentions.

But to bring about peace it will not suffice simply to recognize the existence of a powerful revolutionary organization supported by the North and already in control of the largest part of the national territory. More important is the task of reestablishing the constitutional legitimacy which Diem embodied for a brief period—reactionary as he was—and which has since vanished. The NLF is an essential element of this legitimacy because it is the heir to the revolt against Diem's totalitarianism as well as the principal force of resistance to foreign intervention. But there are others who make up the social and political society as well—the Buddhists, the Catholics, and also the Army, a bourgeoisie in uniform.

An effective policy to bring about a peaceful settlement should begin by making it possible for each of these groups to return to an active political role. While General Ky, after having won his sole victory of the war at Honolulu, occupies the stage, we may be sure that the other groups are ready in the wings, waiting for the protection and encouragement the U.S. could still supply. And from such a revived political life we could expect an authoritative leadership to emerge whose lot it would be to debate with the NLF on the future of the South and to establish a coalition government to represent South Vietnam in future peace conferences. While the NLF is the largest force in the South it recognizes that it is obviously not the only force, reserving a large fraction of the seats on its Central Committee for groups who do not belong to the NLF. The democratization of power in South Vietnam is not a fantasy. The destruction of the small democratic movements struggling to survive under Diem was among the factors that led to the Civil War.

French colonial policy was only too familiar with these very diverse political factions and brilliantly played them off, one against the other. But to divide and rule became a pathetic policy as France's control became more feeble. An American policy which seeks a peaceful settlement must take account of both the socio-political pluralism of South Vietnam and its extraordinary capacity for finding original—and local—solutions to its problems. Surely it is time for American leaders at last to confront the people with whom they have become so inextricably involved.

INVOLVEMENT IN THAILAND

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to have printed in the RECORD an article by Clayton Fritchey entitled "State of Affairs" for July 15, 1966.

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

STATE OF AFFAIRS

(By Clayton Fritchey)

WASHINGTON.—Now that we have practically won the war in Vietnam (or so we are told), Americans may be interested to learn that we are well on the road to becoming involved in Thailand in much the same gradual, undeclared, and often secret, way that we did next door.

Not many are conscious of it yet, but Thailand is already so crowded with American air power that it is beginning to look more like an air base than a country.

The Pentagon has never officially acknowledged the extent of U.S. military operations in Thailand, nor does it openly admit that it is attacking North Vietnam from a supposedly non-belligerent country, but the public tipoff came when an American pilot, Capt. Murphy Neal Jones, 28, of Louisiana, downed in the first raid on Hanoi oil depots, said he had taken off from Takhli Airbase in Thailand. Since then other captured U.S. pilots have made similar statements.

The Chinese reaction has been predictable, just as U.S. reaction would be predictable if Canada or Mexico permitted a foreign power to launch bombing attacks on American targets from bases in their countries.

Peking has already warned Bangkok against plunging into the Vietnam war, but to no avail, for the U.S. has for years systematically promoted militant anti-communism in Thailand, just as it has in South Vietnam. All we can hope is that the end result will not be the same.

Also, as in Vietnam, the people of Thailand have never been consulted about this, and for the same reason—the military clique that seized power years ago does not permit elections. And, of course, the U.S. has never prodded either country to hold elections, for a representative government might not be so willing to play the American game.

President Johnson has repeatedly said that he would be only too happy to settle the conflict in Vietnam on the basis of the 1954 Geneva peace agreement, which called for the neutralization of Indo-China, and, in effect, Southeast Asia.

In practice, however, the U.S. has violated this understanding from the beginning, first in Laos, in Vietnam, and now Thailand. Both openly and covertly, by the use of the armed forces and the CIA, the U.S. has encouraged and supported dictatorial governments in all three countries in an effort to enlist them in the American crusade against China.

Under the cloak of fighting internal Communism, the tyrant Diem set out in 1956 to smash all political opposition in South Vietnam, backed to the hilt by the U.S. Even before that, in 1947, the militarists took over Thailand, and got U.S. recognition and backing by setting off another Red scare.

Then, as now, the government said it was threatened by guerrillas in the poor northeast section of the country near the Laotian border. The U.S. has poured in a billion dollars to help Thailand and its 85,000 man army with this menace.

The Defense Minister, Gen. Prafhas, says the guerrillas numbered 600, but, since he says he has killed 45 and captured 300 since January, this would appear to leave 255 guerrillas in action. Perhaps another 20 years and an additional billion dollars will finish them off.

Was there a better course the U.S. could have followed in the circumstances? Thailand's neighbor, Burma, was also confronted with a Communist problem shortly after the World War. It may be helpful to hear what that great Burmese, U Thant, the Secretary-General of the U.N., had to say about this last year:

"Immediately after Burma's independence in January 1948, the Burmese Communists went underground and started a widespread insurrection. The Burmese government dealt with this internal problem by its own means, without asking for any outside military assistance . . . The Burmese Communists Party is still underground after 17 years and still illegal.

"But let me tell you there has not been a single instance of outside help to the Burmese Communists . . . Burma has over 1,000 miles of land frontier with mainland China. If the Burmese government had decided at some stage to seek outside military assistance . . . then I am sure that Burma would have experienced one of the two alternatives: either the country would be divided into two parts or the whole country would have become communist long ago . . .

"Not one American life has been lost in Burma. Not one American dollar has been spent in Burma in the form of military assistance in the last 17 years. We should ask the great question: Why?"

It is a question that doesn't seem to interest our State Department experts, who have never taken U Thant very seriously. After all, what does he know about Southeast Asia? He has only spent a lifetime there.

Mr. FULBRIGHT. Mr. President, this column, published on July 15, was prophetic. Within recent days the vast involvement of our Government in Thailand has become public knowledge, evidenced by public participation of Thai officials in the dedication of U.S. airbases.

YUGOSLAVIA—GHANA—INDOCHINA

Mr. FULBRIGHT. Mr. President, I ask unanimous consent that there be printed in the RECORD an article written by Anatole Shub, entitled "Yugoslavia Is Taking Big Step Into Future," which appeared in the Washington Post of August 16, 1966; an article which appeared in the newsletter of Clayton Fritchey of August 25, 1966, dealing with Ghana; and a review by Dean Acheson of "Toward Peace in Indochina," by Anthony Eden, which appeared in the Washington Post of Tuesday, August 16, 1966.

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

[From the Washington Post, Aug. 16, 1966]

TITO'S MANY-SIDED REVOLUTION, I—YUGOSLAVIA IS TAKING BIG STEP INTO FUTURE

(By Anatole Shub, Washington Post foreign service)

BELGRADE.—Yugoslavia is on the way today to its most important changes since the break with Stalin in 1948.

The country and its "revisionist" Communist Party are simultaneously in the throes of a political purge, a socioeconomic reform, a change of generations and an ideological crisis.

A "revolution from above," with President Tito personally giving a strong lead, has now begun to gather momentum "from below"—from the thousands of honest Communists and ordinary citizens hurt and disillusioned by the crimes and blunders committed over the years in the name of communism.

The great question in the months ahead is whether the "liberal" Communist faction, now in clear command after six years of bitter inner-party struggle, will be able to control the process. Can the "liberals," as they hope, gradually combine one-party tutelage with an open society and the rule of law? Or will they have to yield, as in Hungary and Poland a decade ago, either to resurgent hard-liners or to a popular movement for Western-style democracy?

Yugoslavia is already far more open, in nearly every way, than any other Communist country. The Western tourists now enjoying the glories of the Adriatic coast are being counted in millions. Hundreds of thousands of Yugoslavs cross back and forth daily into Italy, Austria and other neighboring countries. Nearly 300,000 are now working in Western Europe.

Western newspapers, magazines, books and films are freely available. In June, too, the regime made peace with the Roman Catholic Church by restoring relations with the Vatican.

The Yugoslav Federal Assembly has increasingly been criticizing the executive branch, rejecting or amending government proposals, and voting along lines of regional and economic interest. One amendment, the press reported casually the other day, was passed by a vote of 68 to 51, with 13 abstentions.

Private enterprise, too, has got a new deal. On the coast, banks are giving "privatniks" loans to spruce up their rooming houses, restaurants, fishing boats and other tourist facilities. In the fertile valleys, individual farmers, finally encouraged by higher prices, easy terms for fertilizer and the promise of new credits for tractors, have just produced a record wheat harvest.

TWO DECISIVE VICTORIES

Yet all of these developments essentially preceded the two decisive victories of the "liberal" faction:

At the third plenum of the Party Central Committee on March 11, there came the decisive breakthrough for the long-disputed economic reform, which provides greater independence for enterprises, strengthens the localities and regions against the Belgrade bureaucracy, welcomes Western capital into Yugoslavia, and pledges a convertible dinar by 1970.

At the fourth plenum of Brioni Island July 1, the Central Committee formally ousted "heir apparent" Aleksandar Rankovic, declared war on the "invisible government" and "strongarm methods" of the UDBA (state security service), and appointed a blue-ribbon commission to rethink the organization of the Party and its role in society.

The fall of Rankovic itself remains a mystery. Particularly in Serbia, which was his home base and which traditionally has controlled the police in Yugoslavia, the feeling is strong that "we have not yet heard the real story." There is skepticism with regard to the charges—that Rankovic's UDBA planted microphones in Tito's apartment—and to the official timetable, according to which the anti-Rankovic movement began only a month before his ouster.

CONSEQUENCES CONSIDERABLE

High Communists have privately already begun to deemphasize the "bugging" story as "unimportant" and to insist that Rankovic was ousted primarily because of his resistance to a political and economic "new course." Yet it remains unclear precisely what roles were played by various "liberal" leaders, by Tito personally, and by KOS, the army counterintelligence service and traditional rival of the UDBA.

Whatever the causes, the consequences of Rankovic's ouster have already been considerable. The high drama on Brioni has been followed by dozens of lesser dramas almost every day. Meetings all over the country have exposed, attacked and removed a host of alleged petty tyrants and racketeers. The charges have included rape, police brutality, smuggling, forced labor and a hundred forms of corruption.

The cases are breaking thick and fast, as the initial probe of the UDBA has uncovered links with Communist Party functionaries, government officials, directors of factories and other enterprises. A very conservative estimate is that hundreds will be prosecuted and jailed, thousands will be removed from office and expelled from the Party, and tens of thousands of others (who "went along") will be demoted, pensioned, warned or otherwise disciplined.

It has been announced that the UDBA itself will be sharply reduced in size—although neither the old nor the new figures have been disclosed. The biggest changes, however, are due in the economy, and an index of how sweeping they may be was the first set of reelections this month for factory directors in Serbia. Of 546 directors, 70 were removed. "Far too few," a high Serbian Communist remarked. "We'll do much better in the next round."

SPELL SEEN BREAKING

The stated purpose of the purge movement is to replace primitive, inept old partisan warriors whom "life has passed by" with professionally qualified younger men who enjoy the workers' genuine confidence. Yet the dramatic meetings also appear to have begun to break the spell of fear instilled by the UDBA over the years among rank-and-file Communists, workers and ordinary citizens.

The movement thus clearly works two ways. On the one hand, it has opened a Pandora's box of old injustices and resentments that may get out of Communist control. On the other hand, it has also, undeniably, released a surge of new hope, idealism and critical thinking among sincere Communists long discouraged by bitter compromises.

The reformers themselves stress that the scandals and purges are not the main point. The real task, they say, is to create new conditions in the country—and inside the Party itself—that will make the old bossism, fear and corruption impossible and fulfill the old Titoist promise of workers' self-management.

STATE OF AFFAIRS

(By Clayton Fritchey)

ACCRA, GHANA.—The most interesting operation now going on in Ghana is the deflation of a deity, which, as many other countries can testify, is easier said than done.

It is no great trick to depose a despot by assassination or exile—it's done all the time—but once such a leader has succeeded in making himself a god of sorts (a "Redeemer" in the case of Kwame Nkrumah) it is difficult to remove him from the hearts and minds of his worshipful constituents.

The violent overthrow of Castro, for instance, would undoubtedly leave a lot of Castroism in Cuba, especially if he were followed by a reactionary regime which also attempted the violent overthrow of all the things he stands for, or pretends to stand for. A good example of that is Argentina, where the ouster of Peron has yet to oust Peronism, thanks to the crude and stupid way the military junta has gone about it.

In contrast, the operation in Ghana is almost a model of how to exorcise a tyrant-demagogue, first in person, and then in persona. This called for the sudden, but humane, elimination of President Nkrumah himself, and then the gradual, carefully thought out elimination of Nkrumahism, not by a brutal mass purge, but step-by-step through patient disclosure and propaganda.

This psychological campaign is still going on six months after the coup which overthrew Nkrumah on Feb. 24, and it will be continued until the new government is certain that Nkrumahism has been so thoroughly discredited that neither the ex-leader nor a proxy could make a political comeback on the strength of it.

In planning the downfall of the dictator, the leaders of the revolution decided the first order of business was to guard against making Nkrumah a martyr. Thus they ruled out killing him. They even decided against the drama of seizing and formally exiling him, a la Napoleon.

They simply waited until he left the country on one of his many princely junkets, and then moved in and took over with hardly a shot. The next day, Nkrumah who was being feted in China as a chief of state, found himself in the undignified position of being a man without a country.

He finally ended up in Guinea, where his pal, Sekou Touré, made him "co-president," but gave him no powers. Nowadays he acts as a kind of high-class greeter. He has become not a revered martyr, but a despised, disreputable expatriate.

The leaders of the National Liberation Council, a mixed group of military officers and civilians who also have run the country along authoritarian lines since the revolt, did not make the mistake of trying to abolish socialism overnight; they did not try to tear out by the roots all the government enterprises initiated by Nkrumah.

They perceived that many of these programs were not only popular, but benign. The Liberation Council intends to encourage private enterprise as it moves toward a constitutional system, but meanwhile it has kept most of the structure it took over. It has denounced not big government, but *corrupt* government; not socialism, but Nkrumah's debasement of it.

It is hard to believe that a junta in a country as young as Ghana could act with such sophistication. The Council leaders have not attacked the ideals which Nkrumah preached so eloquently; they simply have done a convincing job of proving to his followers that he himself did not practice what he preached. The exposés have concentrated on money—how Nkrumah wasted it, how he put it in his pocket, how he spent it on women and lavish living. All very effective.

It was once thought Nkrumah organized the National Council of Ghana Women mostly to sing his praises, but the people have now learned that it was chiefly a cheap and easy way for him to recruit his many mistresses.

The people have also learned how he sometimes made himself bigger than God in the eyes of children. At the Young Pioneer Centers, for instance, children were often asked to shut their eyes and ask God for some candy. When they opened their eyes, there were no sweets. Then they were told to close their eyes again and repeat the prayer to Nkrumah. Sure enough, when they opened their eyes, there was the candy.

When Nkrumah became the head of Ghana in 1957, it had a healthy $500 million in foreign exchange, all of it dissipated, and now replaced by a debt of $1 billion. Dictators like Nkrumah, Castro, Peron, Nasser, and Sukarno have one thing in common: they are all economic illiterates, fiscal idiots. They have given socialism a worse name than a chamber of commerce ever could.

The Liberation Council has nicknamed Nkrumah "His Fraudulency," and it has stuck. The success of this kind of psychological warfare has made force unnecessary.

Ghana is the oddest military state in the world. You never see a soldier; you hardly ever see a cop, except for traffic, and everybody talks—endlessly, and, mark it, freely.

[From the Washington Post, Aug. 16, 1966]

GOOD FRIEND EDEN ASSESSES VIETNAM AND POINTS WAY OUT

(By Dean Acheson)

Recently an eminent cleric in Washington announced, somewhat petulantly, that he would go to South Vietnam to find out "what this war is all about." For those of us who cannot go—and, indeed, for those who can and do—Lord Avon's little book, all the better for its brevity, tells us not only what the war is about but how it came about, by whose instigation, and how it might be ended when those who instigated it "accept two glimpses of reality."

"The first is that the United States cannot be beaten; the second is that while a United States military withdrawal might find its place in a phased timetable within an agreement, there is not a remote chance of even a partial American withdrawal unless North Vietnam plays its part, although a negative one, to make this possible."

Americans can read Lord Avon with confidence and profit. A loyal and true friend of this country, he is yet detached enough to see the Vietnam situation in perspective and faults in American action when they occur. Unlike many commentators on this much discussed subject, he writes from knowledge and experience.

With Mr. Molotov, and as Anthony Eden, British Foreign Minister, he was joint chairman of the Geneva Conference of 1954 on Indochina, to which both sides appeal as the source of authoritative doctrine. He writes specifically, tackling the hard realities of facts, methods and the limitations of the possible, not offering the comfort of facile generality, witty criticism, *ad hominem* abuse or trick solutions.

About two-thirds of "Toward Peace in Indochina" is exposition and analysis both of facts and of practicable outcomes. The concluding third is devoted to methods of reaching desired ends. Exposition and analysis are always easier to judge—to approve or disapprove—than are solutions. This is true with Lord Avon's essay.

His description of where we are, how we got there and where, within reason, we should want and hope to go seem to me excellent. One who cannot accept this part of the book is not, in my judgment, qualified to discuss or criticize American action in Vietnam. This is not to question such a person's constitutional freedom to speak, but only to affirm one's own correlative right to freedom from listening.

In other words, Lord Avon states the actual problem as it exists and not some fanciful problem which lends itself to colorful and tendentious debate.

Lord Avon's path toward peace is not so clear as his analysis of the conflict and its cause. This results from no shortcomings in his thought but from the inherent difficulties in the situation itself, including "one Chinese article of faith . . . all too genuinely held—the belief that the United States is implacably hostile. To this alleged ambition to destroy the Chinese Communist state is attributed every American move of recent years. . ." Here lies the heart of the problem.

In Lord Avon's view, "if left to themselves, Laos, Cambodia and Vietnam would prefer to be both independent and neutral." If this could be achieved, it would bring them peace and their neighbors confidence. "Neutrality is not a crime, it is a risk." It could be, if achievable, the way to peace. Lord Avon and President Johnson would have little difficulty in agreeing on these propositions.

Lord Avon does not believe the contention that "Peking is well content with things as they are in North and South Vietnam," with "the United States . . . heavily involved there by land and air yet . . . (seeing) . . . . no end to its costly military commitment . . ." Even "if the active hostility of the American purpose is a fixed belief in the Chinese mind, no tar-baby theory could compensate for so powerful a concentration of American force so near at hand."

Still less is there "excuse for the Chinese to regard President Johnson as an eager belligerent." He "has inherited a sack of troubles . . . if he jettisons his responsibilities, the consequences are quite literally incalculable . . . (he) has kept . . . repeating, since his Baltimore speech of April, 1965, that the United States Government is prepared to negotiate without conditions . . . (he) has played patiently and resisted pressure, which is statesmanship . . ."

Anyone who dogmatizes about Chinese policy is apt, like Mr. Nehru, to have his confidence sadly shaken at the end. So one must walk warily.

American interest would be served by a neutral belt in Southeast Asia, with guarantees "as complete as human ingenuity can make them." This should serve Peking's also, once it is accepted that America cannot be beaten and does not wish to become a colonial power. But what is the path to negotiation when every negotiation offer is rejected or ignored?

Lord Avon suggests a combination of military and political action as a type of negotiation by demonstration—the progressive pacification of areas followed by amnesties and political and economic experiments at the local level in search of loyalty, consent and some sort of consensus. If this process works—he calls it hopefully one by "trial and success"—American forces might be withdrawn from the areas and, perhaps, reduced in the whole country.

He sees this process not as an end in itself but as an inducement to conference and the creation of honest and secure neutrality in Southeast Asia. The conference and the method he suggests would resume where the Geneva conference of 1954 left off, continuing its joint Chairmen, the Russian and British Foreign Ministers, and its International Commission of Inspection of Canada, India and Poland.

In the last chapter, Lord Avon states 12 points which sum up his position and might well guide a conference to correct some past mistakes. They include a very considerable postponement of any attempt to unite North and South Vietnam.

This program is easy to criticize and hard to improve upon if one stays within the limits of practical possibility. The list of Geneva conferees would not reflect the new interest of Australia, New Zealand and Korea in Vietnam and would overreflect that of France. But even this is preferable to the chaotic confusion that would follow reference to the problem to the United Nations. Any opening of the conference list is an opening of Pandora's box.

Then, too, the Commission has been far from effective, as its membership almost insured. But how to improve it? In this divided world, one man's neutral is another man's enemy.

Lord Avon has done us all a very considerable service. He has discussed our most discussed and aggravating problem. He has done it shortly, wisely and specifically. He has made recommendations which challenge any who presume to inform us on this subject to improve upon his suggestions or to present a practical alternative.

RECENT MOB VIOLENCE IN CLEVELAND

Mr. YOUNG of Ohio. Mr. President, in the aftermath of recent riots and violence in slum areas in a number of our cities, including my home city of Cleveland, Ohio, there have been those who have insisted that the rioting had to be and was fomented by agitators—by Communist agents or racial extremists.

It is my observation that many of those who so argue are the very same people who fail to note and understand the intolerable living conditions in the slums of our Nation and the rot and the mold which we have allowed to eat into the core of our cities. Rather than to recognize and attempt to correct the conditions which resulted in the eruption of frustrations among our Negro citizens in some cities, they choose to bury their heads in the sand, to absolve themselves and society of all guilt and to blame everything on extremists and Communists—to take the easy way out.

Mr. President, I did not at the time of the riots nor do I now for one minute believe that this violence was the result of any conspiracy, Communist inspired or otherwise. I stated this in speeches in the Senate on July 26 and again on July 28, 1966, when discussing mob violence in Cleveland which resulted in the necessity of Mayor Locher requesting Governor Rhodes to call out about 2,000 National Guardsmen who, with Cleveland police, finally succeeded in restoring law and order.

I said, based on information given me:

> I do assert that there was no nation-wide conspiracy or Communist conspiracy, so-called, involved. While there may have been organized bands of hoodlums who took advantage of the riots to pillage and loot; while there may have been extremist groups who grasped the opportunity to exploit the violence for their own selfish ends; I am convinced that the riots themselves did not begin as a result of any conspiracy or organized plan. To state the riots were Communist, or otherwise, inspired appears to me to be a lame excuse to salve the consciences of those who do not want to, or refuse to, face the conditions that precipitated this disaster and similar ones in other great cities of our Nation—rat-infested slums, unemployment, poverty, hopelessness, frustration, and despair.

Shortly following the riots in Cleveland the Cuyahoga County grand jury investigated the rioting and then reported to the presiding judge of the criminal branch of the Cuyahoga County common pleas court. The foreman of the grand jury was Louis B. Seltzer, recently retired editor of the Cleveland Press, a Scripps-Howard newspaper. At the request of my colleague, the distinguished senior Senator from Ohio [Mr. LAUSCHE], the special grand jury report was placed in the CONGRESSIONAL RECORD of August 12, 1966. Unfortunately, this report generated some heat but very little light.

The first finding of the grand jury was as follows:

> This Jury finds that the outbreak of lawlessness and disorder was both organized, precipitated, and exploited by a relatively small group of trained and disciplined professionals at this business. They were aided and abetted, wittingly or otherwise, by misguided people of all ages and colors, many of whom are avowed believers in violence and extremism, and some of whom also are either members of or officers in the Communist party.

Mr. President, I call this to the attention of Senators because on August 17, Nicholas deB. Katzenbach, the Attorney General of the United States, as a witness before the Subcommittee on Executive Reorganization of the Senate Committee on Government Operations, testified as follows:

The Department of Justice, deeply opposed to violence and deeply concerned over any breakdown of law, has looked carefully into the causes of the riots. We conclude that they were indeed fomented by agitators—agitators named disease and despair, joblessness and hopelessness, rat-infested housing and long-impacted cynicism. These sources of agitation are not the product of Communists or Black Nationalists, or terrorists.

Immediately following Attorney General Katzenbach's prepared statement, a very enlightening colloquy took place between him and the chairman of the subcommittee, the distinguished junior Senator from Connecticut [Mr. RIBICOFF]. I quote directly from the transcript of the hearing:

Senator RIBICOFF. Thank you very much, Mr. Attorney General, for an excellent statement. I am wondering, from the resources and the research that the Department has undertaken during the last few months, whether you have found a uniform thread or organization in the cities undergoing violence this summer?

Attorney General KATZENBACH. No, we have not, Mr. Chairman, most emphatically we have not. There have been in some of the cities some people who made efforts to agitate, sometimes with success, sometimes not. This has not been true in many of the cities. Perhaps the most clear activity of this kind took place in Cleveland, where people identified with the Jomo Freedom Kenyatta House there, some of whom had connections with the revolutionary action movement, made some efforts to keep rioting going in that area. Even there there was no Communist Party involvement that we have been able to discover. There was no involvement of other groups.

There were some people from the DuBois Clubs who were in Cleveland at the time, and that is about the extent that we have been able to find of any involvement. . . .

But there is no indication in any of these cities, any of them that the riots were planned, organized, run, controlled, by left wing or right wing extreme groups.

Senator RIBICOFF. How would you comment on this statement from the Grand Jury's finding in Cleveland and I quote: "This jury finds that the outbreak of lawlessness and disorder was both organized, precipitated and exploited by a relatively small group of trained and disciplined professionals of this business."

Attorney General KATZENBACH. I would say that was accurate insofar as it said "exploited." I think I would modify it to say "efforts to exploit it." I would say that it was inaccurate and without evidence to back the other allegations.

Senator RIBICOFF. In other words, you and your Department disagree with the over-all conclusion of the Cleveland Grand Jury?

Attorney General KATZENBACH. Yes, I do.

Mr. President, the issue is clear. Whom are we to believe—the special grand jury led by Louis B. Seltzer which heard testimony made in the heat of emotion following the Cleveland riots, or the Attorney General of the United States who had at his disposal, and utilized in investigation of these riots, all of the resources of the Department of Justice including the Federal Bureau of Investigation?

It is interesting to note that in the grand jury report itself is the statement:

It is likewise observed by this jury that it did not have the necessary special investigative resources which could be and should be focused exclusively in tracking down the required immediate and far reaching evidence for conclusive legal action against specific individuals.

This statement admits, if only slightly, the fact that the Cuyahoga County grand jury did not have at its disposal all the investigative resources that it required on a matter of such importance.

Furthermore, Mr. President, Foreman Seltzer and the members of his grand jury evidently disregarded altogether the testimony of two Cleveland policemen who during an 11-month period just prior to the rioting in the Hough Avenue area of Cleveland penetrated suspected subversive organizations as undercover agents for the subversive squad of the Cleveland Police Department. These policemen, Jessie Thomas and Fred L. Giardini, were so successful they were made officials of some of the groups. In fact, one of these policemen, Jessie Thomas, acting as a counterspy and claiming to be a Communist or Communist sympathizer actually traveled for the Communist Party as a youth director, going to several Ohio cities including Lorain, Youngstown, and Akron, as well as traveling to Wheeling, W. Va., Chicago, and New York. These two policemen had the important function of checking to determine whether there was any planning or conspiracy on the part of Communists, or other subversive groups, to riot against law and order anywhere in Cleveland.

The ACTING PRESIDENT pro tempore. The time of the Senator from Ohio has expired.

Mr. YOUNG of Ohio. Mr. President, I ask unanimous consent that I may proceed for 3 additional minutes.

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

Mr. YOUNG of Ohio. Mr. President, these two men who were in a position to know the facts reported that they had no personal knowledge of direct Communist involvement in the riots. Thomas reported:

If the Communist party felt the opportunity to create trouble was present, the party would have jumped on the bandwagon. But I couldn't say if the party was directly involved.

At the time the grand jury report was issued, Mayor Ralph S. Locher, of Cleveland, called it a great example of public service. He said:

This grand jury had the guts to fix the approximate cause—which had been hinted at for a long time—that subversive and Communist elements in our community were behind the rioting.

Mr. President, if there were a conspiracy at the base of the trouble that developed, it was a conspiracy of pent-up frustrations and neglect coming to the surface in the hot, fetid, dank, stifling air of the neglected filthy ugly overcrowded slum areas of Cleveland in the direct neighborhood and area where my wife, children, and I lived about 45 years ago. The failure and delay and neglect of city officials of Cleveland, of our State officials, and of U.S. Senators and Congressmen, all of whom, not absolving myself, must bear and share a part of the blame for failure and delays in eliminating these conditions—all this led to unthinking and indefensible violence and outbursts against law and order which burst forth in the stifling heat of some almost intolerably airless July nights. It was not Communists who caused deaths and injuries to men, women, and children and destruction of property, but the pent-up and stifled feelings of human beings suddenly and uncontrollably shrieking out against inhuman treatment and neglect amidst intolerable surroundings denying to them their simple dignity as creatures of God.

Mr. President, in view of the testimony of Attorney General Katzenbach, particularly his statement that he and his Department disagree with the overall conclusion of the Cuyahoga County grand jury, I urge that serious consideration be given to impaneling a Federal grand jury in the U.S. District Court of the Northern District of Ohio to investigate impartially the causes of the recent riots in Cleveland, and to secure testimony under oath of all known knowledgeable witnesses as to what actually occurred, including representatives of the Department of Justice, operatives of the Federal Bureau of Investigation, and law enforcement officers of Cleveland and of Ohio. I am sure that the result of such an investigation would give officials of the city of Cleveland, officials of the State of Ohio and the Representatives and Senators representing Ohio in the Congress, greater insight into the specific problems which have afflicted the largest metropolitan area in our State.

Mr. President, I congratulate and commend Attorney General Nicholas Katzenbach on his forthright, honest, and convincing testimony before the Senate subcommittee of the Committee on Government Operations. He has shed a great deal of light on a problem which was heretofore swept aside, ignored, or obscured by ignorance, bigotry, frustrations and the heat and gyrations of aroused emotions.

There you have it, Mr. President. Louis Seltzer wrote a report and the local grand jury members voiced their assent. I know the Attorney General of the United States and I respect him. Also I respect his sources of information and the array of experts available to him in Cleveland and in Washington to investigate and determine the facts. I know Louis Seltzer and have known him for more than 40 years. Mr. President, I string along with Attorney General Katzenbach. I believe him.

THE FEDERAL DEBT AND INFLATION

Mr. BYRD of Virginia. Mr. President, the Senate, on Thursday, passed the $58¼ billion military appropriation bill for fiscal year 1967. It is the second

largest appropriation bill for a single category of Federal expenditures in the history of the United States.

It was exceeded only by the $59 billion Army-Air Corps bill for 1944, when military expenditures were beginning to peak in the World War II global conflict.

At that time the Federal expenditure budget was $95 billion, and nonmilitary programs were limited to 20 percent. The Federal debt was less than $200 billion, and inflation, as we have it today, was not a problem.

Since then the Federal debt has gone up steadily—to $320 billion—and it is still going up. Paralleling the debt, a steady inflationary tendency has dropped the value of the dollar to 42½ cents, and it is still going down.

Now the Federal expenditure budget is $112.8 billion, with $55.6 billion, or more than 49 percent, for nonmilitary programs. We are proposing to spend more on Great Society programs than for the war in Vietnam—$15.1 billion for Great Society programs and $10.5 billion budgeted specifically for the Vietnam war.

I voted for the military appropriation bill on the deeply considered conclusion that it is essential to support our men who are fighting a shooting war, and for our national defense in a volatile world.

But I am concerned over the alarming signs of increasing debt and inflation abroad in the Nation. Four increases in the prime interest rate in 8 months since December, and another predicted, should be warning enough.

If it is essential to enact the second heaviest military appropriation bill in history to back up Americans fighting in Vietnam, the time has come to protect Americans at home from the onslaught of inflation.

The taxpaying individual citizen needs this protection. Complaint over the rising cost of living is nationwide. It ranges from the cost of food to the cost of automobiles. No one is escaping it.

The Federal Government has been the principal proponent of rising debt for 35 years. In peace and war, it has been on a deficit financing basis in all but 6 years since 1931. Deficits and debt can be inflation factors.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. BYRD of Virginia. I ask unanimous consent to have 3 additional minutes.

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

Mr. BYRD of Virginia. The Government is not only a dedicated user of debt. Its financial policies and managers have encouraged States, localities, business, and individuals to follow its lead.

It is likewise a merchant of debt—$140 billion is outstanding in its direct, insured, and guaranteed loan programs.

I do not quarrel with constructive debt. It is an important requirement of healthy private enterprise. But excessive Federal debt can lead to inflation, bankruptcy, and socialism.

All debt in this country—public, corporate, and private—now totals nearly $1½ trillion, and this is exclusive of the Federal Government's tremendous contingent liabilities for such items as bank deposit insurance, and so forth.

No one can deny that inflation is affecting the pocketbook of every housewife, or that excessive Government spending is a leading cause.

While we are fighting a shooting war requiring heavy military expenditures, it must be recognized that many new and unessential Federal programs should be postponed or curtailed.

The alternative is inflation—the most devastating enemy of people with low and fixed incomes.

MEXICAN SELF-HELP

Mr. MANSFIELD. Mr. President, I call the Senate's attention to an article entitled "Accion Comunal: Mexican Self-Help," which appeared in the August 16 issue of the Christian Science Monitor. Written by James Nelson Goodsell, it tells of the inspiring work being done by the campesinos of Mexico to better their own lot and contribute to the well-being of their nation.

The problems of rural Mexico are most difficult. National governments—particularly those under the dynamic leadership of former President Adolfo Lopez Mateos and current President Gustavo Diaz Ordaz—have struggled to bring to rural residents their share of the benefits produced by Mexico's miracle of industrialization. The benefits are now being accelerated.

Campesinos throughout the country, working in self-help projects formulated by various Mexican governmental agencies and the private Community Development Foundation of Norwalk, Conn., are building roads, schools, and irrigation projects—to mention a few. The happy results represent a triumph for cooperation between governmental and private efforts, and a tribute to the will of the Mexican campesino. The achievements, and the lessons learned in cooperation, should serve as examples for similar self-help efforts in other nations.

Mr. President, I ask unanimous consent that the article be printed at this point in the CONGRESSIONAL RECORD.

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

ACCIÓN COMUNAL: MEXICAN SELF-HELP

(NOTE.—All over rural Mexico, community development programs are beginning to make a dent on the problems which have held the rural areas back from Mexico's vigorous social and economic advances. Roads are being built, schools constructed, irrigation put in—all signs that joint efforts by villagers themselves are bringing about change.)

(By James Nelson Goodsell, Latin America correspondent of the Christian Science Monitor)

SANTA CRUZ ATIZAPÁN, MEXICO.—Felipe Ortiz is a Mexican farmer who is working with his neighbors to raise a fruit orchard.

"Don Felipe," as he is familiarly known here, has a gentle touch with his fellow farmers. But he has a determination which many other farmers respect and accept.

The fruit orchard on the edge of town is a communal effort—one of many in this valley area west of the Mexican city of Toluca. It is an example of the sort of community action project which is catching hold all over Mexico.

And Don Felipe is typical of many Mexicans who are spearheading community action, or action comunal, as it is called in Spanish.

These Mexicans often lack formal schooling and the refinement of society in Mexico City, but they are just as vitally involved in building a nation as are people in Mexico City.

Indeed, upon the success of projects like the fruit orchard here in Santa Cruz Atizapán depends a great deal of Mexico's future.

For it is in the rural areas of Mexico that the nation's long vigorous social reform has yet to make the impact it has in the cities. And it is these rural regions that worry government officials and planners.

Hence, the interest in community action programs being shown all over Mexico by government officials.

Don Felipe probably knows little of the full extent of communal action efforts around the country, but he and his fellows are acutely aware of what it is doing for themselves and their village.

CATALYST PROVIDED

While there are a variety of agencies working in Mexico, the major thrust of community action work here is a joint Mexican-United States effort, embracing various Mexican governmental agencies and strongly supported by a United States private agency, the Community Development Foundation (CDF) with headquarters in Norwalk, Conn.

Frank Barry, the foundation's Mexico director, says that Mexico is well suited to the sort of program that CDF sponsors. The organization's aim is one of aiding people in developing areas who are seeking a more abundant life for themselves and their families. CDF's role is something of a catalyst providing technical assistance and food for people like Don Felipe who are working to improve their lot.

CDF is under contract to the Mexican Government to provide this assistance. The Mexicans for their part appear quite pleased with CDF efforts, which augment bountifully the various Mexican programs which have been in existence for years.

Mr. Barry notes that the Mexican Government "was already sponsoring projects of community development when we came on the scene in 1962 and we are furthering this effort."

CDF supported projects around Mexico including building rural access roads, irrigation facilities, schools, village water systems, and such things as Don Felipe's fruit orchard.

Sometimes the villages need materials to carry on their work. Other times they need technical assistance in planning a project, such as a road. Often a village is short of food. CDF sees its role as that of meeting these needs by encouraging the villagers to carry out the projects they themselves feel are most needed.

Mr. Barry, moreover, sees labor as the key factor in the equation—the labor of the countryside people themselves.

"We get involved in projects which people can do with their own skills and resources," he says, "and this is the important factor. This is not aid, in the sense of telling the rural Mexican he must build this or that. This is assistance to help him to do what he wants to do."

CDF field workers and Mexican field workers from a variety of governmental agencies work side by side on the program. They share their talents and their efforts, but do not overlap their efforts.

ENTHUSIASM EVIDENT

This correspondent spent a day visiting projects like the fruit orchard which Don Felipe is cultivating—some under the general

guidance of a CDF field worker, others under similar encouragement by a representative of the Mexican Government. Some were working with a food incentive, some without. Some projects were obviously moving faster than others.

But in each of the villages visited, there was a sense of moving forward with a project, whether it was road building or irrigation ditch digging.

Here in Santa Cruz Atizapán, Don Felipe's fruit trees are not the only evidence of community development efforts. A drainage system is being built. Villagers work on the system in their spare time.

Each man is responsible for digging the ditch in front of his house. Tubing for the system is being made locally, according to very clear specifications. As the villagers tell their own story, it is evident that there is a great deal of enthusiasm for the project.

In Teneria, a village only a few miles from Santa Cruz Atizapán, but quite a long trip by dusty rural roads, community action efforts are directed at constructing a new school for the community to take care of the expanding school population.

Villages in Teneria told community development field workers visiting the site recently that obtaining lumber is the most difficult problem they face. There just is not enough available.

"We are making a big effort," one villager told the visitors. "But it is worth the effort for we want our children to learn better than we did."

Other villagers pleaded with the officials to "give us some wood so we can get on with the job."

It was a difficult moment for the field workers. They did not have any lumber readily available. But the situation was relieved by a joke made by one of the villagers:

SIX GOALS LISTED

"We hope we can have the wood soon because if not it will not be our own children getting an education, but instead our grandchildren!"

Soon afterwards, one of the field workers remembered that he had seen some wooden boxes in a warehouse in a small community some distance away. The boxes would provide the needed lumber—and the school house would be completed.

This case is typical. The Mexican countryside folk provide the labor—and the field worker, be he a North American or a Mexican, simply provides assistance when it is needed and encourages the rural citizen to carry out the projects.

Dr. Guillermo Soberanes, the Mexican official whose office administers the program supported by CDF, lists six goals of the self-help effort:

To teach families in rural areas that they can join together in their own development.

To utilize the labor force of villages in collective works when there is a shortage of work in the fields.

To teach nutrition and sanitation by taking advantage of the rural community development programs to accomplish this goal.

To accustom communities to working together in the resolution of their own problems.

To build a sense of confidence in relationships between the rural areas and the methods used by national agencies in solving problems.

To provide food to areas where this can help in developing the region.

These goals are being met in an ever-increasing number of Mexican villages.

Here in Santa Cruz Atizapán, for example, with its drainage system and Don Felipe's fruit orchards, there is clear evidence that the program is meeting with success.

Whether community development on a broad nationwide scale can be achieved, however, is still a question. Thousands of villages in the Mexican hinterland still are without programs of the sort that CDF and its Mexican counterparts are encouraging.

"We are still only scratching the surface," a Mexican field worker says. "We've still got a long way to go."

FIREARMS CONTROL LEGISLATION

Mr. HRUSKA. Mr. President, the current discussion of firearms control legislation is not an Eastern States against Western States lineup. One reason why this is true is based on the fact that some eastern localities have had experience with gun control laws.

It has not been favorable experience. The Courier Express of Buffalo, N.Y., editorially commented on this by asking whether advocates of the administration gun bill propose to ultimately limit firearms ownership to police—and criminals. It wrote:

> Yes, criminals, because criminals do not obey even current laws restricting handgun ownership.

This has been the harsh experience in New York which has had the most severe gun laws for a long time. Only those who obey the laws are left harmed, left defenseless; to the point where the better apartment buildings in the city are advertising "top security" extras in the forms of private guards, burglar alarm systems, and armored doors and windows.

Mr. President, I ask unanimous consent that this editorial be printed in the RECORD at this point, together with an open letter addressed to President Johnson as it appeared in the July issue of "Shooting Industry" trade magazine.

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

[From the Buffalo (N.Y.) Courier Express, Aug. 4, 1966]

AUSTIN SHOOTING AROUSES GUN FOES

Once again the senseless misuse of firearms has the antigun people howling slogans which they say will prevent the recurrence of what happened in Austin, Tex., on Monday.

They say that Charles Whitman would not have shot 44 persons if there had been stricter controls on the sale of firearms.

Typical of the illogic of the antigun forces was the CBS special on the sniper slayings in which Walter Cronkite interviewed the author of an antigun book oddly titled: "The Right to Bear Arms."

The author stated that the Austin killings would not have occurred if the Dodd bill, now being studied by Congress, had been law. Then, to mollify hunters and target shooters, the author stated that the bill would not restrict over-the-counter sales, but would impose tighter regulations on mail-order weapons.

In other words, Whitman would have been able to purchase firearms in his home state of Texas, Dodd bill or no Dodd bill.

Even if the most stringent antigun legislation were passed—requiring licenses and permits for all weapons—would not Whitman have passed the tests? He was an ex-Marine, honorably discharged; a former altar boy; active in Boy Scouting to the extent that he was a rifle instructor for young Scouts; he was married and an energetic student with above-average grades; he was over 21 and apparently had no criminal record.

Just what do the antigun people propose as criteria for deciding whether a U.S. citizen should be permitted to own a firearm with which to hunt, target-shoot, protect his home and family? Do they propose to limit firearms ownership to police . . . and criminals?

Yes, criminals, because criminals do not obey even current laws restricting handgun ownership. Would the antigun forces disarm the American citizenry, a people whose marksmanship and heritage in firearms helped them forge a nation in 1776 and helped them to defend it since?

We don't believe that tighter gun laws would have prevented the tragedy in Austin any more than tighter controls over knives would have blocked the senseless slaughter of eight student nurses in Chicago on July 14.

To zero in on an inert instrument—a gun—which can be used for good or evil, and to say that banning it will solve the problem of human derangement, is idle effort.

Following the reasoning of the antigun people, we should impose tighter controls on the sale of bread knives, automobiles and other inert instruments which annually cause thousands of deaths when misused by deranged or inept individuals.

Perhaps we should all register our hands and be fingerprinted lest one of us turn into a strangler.

LOOK, MR. PRESIDENT

Not too long ago, Mr. President, you were quoted as follows: "You do not examine legislation in the light of the benefits it will convey if properly administered, but in the light of the wrongs it would do and the harms it would cause if improperly administered."

We might comment that this is, on the face of it, a pretty cynical statement, reflecting little top-level trust in the just administration of legislative intention. We don't blame you, Mr. President, for this mistrust; we share it! But did you say what you were quoted as saying? And did you mean it? . . . If so—

How can you support anti-gun legislation? Senator DODD says you are supporting it, and your own public statements have confirmed your position. Yet you must know that the firearms-restrictive bills to which you have given your blessings are not only flagrantly vulnerable to improper administration but are (a) useless in achieving their avowed aims and (b) harmful to innocent people even if properly administered! You need only look to New York City and Philadelphia for examples.

The sole objective of anti-gun legislation, according to its proponents, is to curb crime. But New York's Sullivan Law does nothing to curb crime. Criminals laugh at it. Only those who obey the law are harmed—left defenseless; to the point where the better apartment buildings in the city are advertising "top security" extras in the forms of private guards, burglar alarm systems, and armored doors and windows!

In Philadelphia, where a severe firearms ordinance went into effect more than a year ago, crime has not been retarded. Only the citizen who begs for arms with which to defend his home or business, and the citizen who wants guns for sporting uses, have suffered.

City officials and law enforcement leaders in both New York and Philadelphia admit their laws are useless; but they have found and are finding that, once a bad law is enacted, it is next to impossible to remove it. This is more than ever true of a federal enactment.

We beg you, Mr. President, to look at the records. We beg you to heed your own words of wisdom. We beg you to withdraw your support from proposals which, without achieving any worthwhile objective, will harm millions of outdoor sportsmen—whose

money, in Pitman-Robertson taxes and license fees, provides major support for such administration-sponsored programs as physical fitness, conservation, and outdoor beautification.

INDUSTRIAL UNION OF MARINE AND SHIPBUILDING WORKERS OF AMERICA, AFL-CIO, CONDEMN PROCUREMENT OF NAVAL VESSELS IN BRITISH SHIPYARDS

Mr. BREWSTER. Mr. President, the Department of Defense has again demonstrated its continuing disregard for the American merchant marine and shipbuilding industries.

The Department is considering awarding a contract for two ocean survey vessels to a British shipyard. The fact that this takes badly needed business away from American shipyards—which are already losing skilled workers left and right—is ignored by the Defense Department. The need for a healthy American shipbuilding and ship repair industry apparently does not impress the Department at all.

Mr. President, I have presented my views on this topic many times. Rather than repeat what I have said before, I would like to let the Senate consider what the people involved have to say on the subject.

I ask unanimous consent that a letter from the Industrial Union of Marine & Shipbuilding Workers of America to the Secretary of Defense be inserted in the RECORD.

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

INDUSTRIAL UNION OF MARINE AND SHIPBUILDING WORKERS OF AMERICA, AFL-CIO

Camden, N.J.

Hon. ROBERT S. MCNAMARA,
Secretary of Defense,
Washington, D.C.

DEAR MR. SECRETARY: The Industrial Union of Marine and Shipbuilding Workers of America, AFL-CIO, is on record as condemning the procurement of U.S. Navy vessels from British shipyards. The imminent order of two naval survey ships from a foreign shipyard is an outrageous threat to the welfare of our nation's shipbuilding industry and its skilled working force.

The decision of the Department of Defense to build American naval craft abroad, in our opinion, has spawned a policy which will trigger further efforts to construct naval vessels in more foreign nations. The Defense Department build abroad policy violates the historic and traditional fundamental of making U.S. naval craft construction available to American shipyard workers.

Moreover, the Secretary of Defense is required by the Defense Appropriations Act to carry out the affirmation of Congress "that none of the funds herein provided for the construction or conversion of any naval vessels to be constructed in shipyards in the United States shall be expended in foreign shipyards for the construction of major components of the hull or superstructure of such vessel."

The last 10 years has witnessed the greatest migration of skilled shipyard workers to other industries. U.S. private shipyards building Navy vessels are advertising coast-to-coast for shipyard skills. The shipyard mechanics, with decades of experience in their specialties, have abandoned the industry because of the insurmountable hardships and obstacles in obtaining steady, uninterrupted work. Whereas in former years it was not unusual for our member fathers to enroll their sons and other male relatives in shipyard apprenticeship programs, few do so now, being loath to embark them on a career in a withering industry.

"Control of the seas can mean peace. Control of the seas can mean victory. The United States must control the seas if it is to protect our security," said the late President Kennedy. To grant British shipyards, or any other foreign yard U.S. Navy work, would be an act that would tend to contract our present naval supremacy.

This outlook is emphatically voiced by Admiral David L. McDonald, Chief of Naval Operations. He has said that "national power at sea" is "the mix of military, technological and industrial capabilities related to the sea which cross cuts and intersects almost every aspect of our society." While all of the natural resources and our means of production contribute to the building of naval ships, our nation is completely helpless without an adequately skilled shipyard force. Every naval expert has testified that in times of emergency our naval sea power must under no circumstances be handicapped through reliance on shipyard workers or facilities in other countries.

Are we to repeat the bankrupt, short-sighted, indifferent and dangerous policy with the construction of naval vessels that has played havoc with our merchant shipbuilding industry? That policy pursued by the Congress has caused idleness and suffering for tens of thousands of skilled shipyard workers, waste of shipbuilding resources and capacity, lost purchasing power, and has burdened communities and states with unemployment, relief and retraining costs.

A recent U.S. Senate Subcommittee report of the Senate Committee on the Judiciary investigating internal security Administration, declared:

"Shipyards are the taproot of a nation's sea power. Over twenty American yards have gone out of business during the past fifteen years because of insufficient work volume, and most of the surviving yards today are engaged in intense competition for the limited work available.

"If relief in the form of larger shipbuilding programs does not come soon, it seems likely that there will be a further cutback in the size of the U.S. shipbuilding industry."

The United States, now in twelfth place among maritime shipbuilding powers of the world, lags far behind Britain. Governmental indifference to the important wartime roles of the shipbuilding yards and its skilled working force will inevitably make for the continued contraction of our nation's facilities and skilled shipyard craftsmen.

There is no easy shortcut for providing shipyard skills vital in a crisis. Economy measures, balance of payments, expediencies, and other equally logical reasons today will be no substitute for the manning of our yards in the event of war.

We therefore respectfully appeal to you for the reasons set forth herein to halt the award of the survey shipbuilding contract to Britain.

Respectfully and cordially,

JOHN J. GROGAN,
President.

IMPORTANCE OF THE PEACE EFFORTS OF LIONS INTERNATIONAL

Mr. CANNON. Mr. President, all of us are familiar with the great record of public service compiled by the International Association of Lions Clubs since 1917.

Under the banner of "liberty, intelligence, our Nation's safety," some 20,000 clubs in more than 130 countries, numbering 800,000 business and professional men continue to perform splendid service to their communities and to great humanitarian causes everywhere.

The Lions are, of course, nonpolitical and nonsectarian. The sole objective of the organization is aiding international good will and understanding.

Edward M. Lindsey recently was inaugurated as international president and spoke eloquently on the search for peace. Motivated by his stirring remarks, the International Association of Lions Clubs are sponsoring a nationwide essay contest open to young men and women from 14 to 21. Appropriately, the subject of the essay contest is "Peace Is Attainable."

The purpose of this contest is to focus attention on the desirability of searching for ideas and developing a plan which would make world peace a reality. The Lions International seeks in this manner to discover new plans for achieving world peace, in addition to concentrating attention on this subject and accentuating the meaning of freedom and liberty.

Mr. President, the International Association of Lions Clubs is to be commended for this splendid project and I sincerely hope their efforts will meet with unprecedented success.

THE DEMONSTRATION CITIES BILL—S. 3708

Mr. MOSS. Mr. President, as you well know, many communities in the Nation have not seen fit to take advantage of various Federal assistance programs because of local pressures. There has been a fear of Federal interference with community matters, a fear of launching unworkable and lengthy urban renewal projects, and unfamiliarity with the workings of the Federal programs, and a genuine lack of understanding of the real benefits that can accrue from using Federal technical and financial assistance. For these and similar reasons, many large and small cities have opposed and continue to oppose such Federal programs.

Nevertheless, both those who support and those who oppose the demonstration cities bill now before the Congress agree that our cities are deep in trouble and are desperately in need of more help than they are currently receiving.

State and local revenues simply cannot keep pace with the needs. Such Federal grant-in-aid programs as have been developed over the years in the fields of housing, health, education, antipoverty, and others have not yet proved sufficient to relieve the cities of their growing burdens. Obviously, something more is needed, and to many it appears that the demonstration cities program may prove a breakthrough toward new solutions. I share in this hope and support the committee's bill, S. 3708.

I think particular attention should be paid to the schools in the cities. As our more affluent citizens flee to the suburbs, the quality of education is deteriorating

in the cities. This has taken place despite efforts to improve the slum areas, to eliminate the ghettoes and to revitalize the cities. But the cities cannot become the desirable centers of our metropolitan areas until our "affluent citizens" return to the cities. I am not speaking of the wealthy, who often remain in the cities, but of the middle class, the average citizens. The average citizen fled from the city primarily because the schools in the city were becoming inferior. And he will not return until the schools are not only as good as those in the suburbs, but are actually better. Therefore I hope that if this bill is passed, adequate attention is paid not only to correcting the deplorable physical condition of our cities, but to reversing the migration of citizens as well. Unless the quality of the schools is greatly increased, this cannot be done.

Many have spoken today on the need for a new approach and a new method of coordinating all assistance programs through joint action by local, State, public, and private groups. But there is another important reason for supporting this bill.

I believe the demonstration program can have a great educational value, particularly for the citizens and officials of such communities. This new program would provide that only the cities most in need and most anxious to try out the new program would qualify to do so. These cities would then proceed, at their own speed, with their own plans, to devise demonstration programs to suit their particular and diverse needs. Some would be large cities and some would be small cities, some would be old cities and some would be relatively new. Some would have certain kinds of social and physical urban crises to handle and others would face much different problems.

Thus this proposed program would, in only 3 or 4 or 5 years, demonstrate whether the program is useful for all kinds of communities. Enough of these pilot programs would be developed all across the country so that those cities that have been reluctant to get involved in Federal-aid programs would have much more to go on in the future to determine the rightness of their position and whether they should modify it.

This demonstration program, though modest in the amount of appropriations proposed in the bill, would nevertheless be large enough to help not only the specific cities qualifying in the program but all other cities as well, even including those where no interest has yet been shown in using the program.

A TRIBUTE TO J. FRANK GRIMES

Mr. LAUSCHE. Mr. President, the independent grocers of our Nation are an important part in the rigid framework of our national economy. As a matter of fact, they are one of the mainstays of small business which is America's biggest business.

There are many fine leaders in the food selling business. Today, however, I would like to pay tribute to a man in this field who became a great leader because he was a great inspirational force to others—a strong advocate of positive thinking—a man who believes and demonstrates repeatedly that spiritual forces play as great a part in the success of business as material things. The man to whom I refer is J. Frank Grimes, creator and founder of the Independent Grocers' Alliance which has helped thousands of independent grocers, without sacrificing their independence, develop the world's largest voluntary food store chain with an annual sales volume in excess of $3½ billion.

J. Frank Grimes is known to thousands of grocers, who operate in 46 States under the IGA banner, as well as thousands of others in the food business, as the "Chief." It was this man who made it possible for the small independent grocer to prosper by making available to him the same sales tools, such as advertising, merchandising, store engineering, and accounting systems, which previously were only available to his better financed corporate competitors.

One of the great keys in Grimes successful plan, which has prospered and helped others do likewise for more than 40 years, was his ability to inspire others.

Recently at the 40th annual celebration of IGA's founding in Chicago, his son, Don R. Grimes, president of the huge food selling organization, presented his father with a specially bound book titled "Words of Inspiration." This book, which was also given free to the 5,000 grocers who attended the anniversary event, contained the inspirational messages that the elder Grimes had used during the past 40 years.

The beautifully bound book contained scores of inspirational verses, such as:

Often great satisfaction follows the successful accomplishment of a task when opposition has made one extend himself and prove his mettle. These tests of one's courage and capacity build confidence and fearlessness and prepare one to appreciate success.

Work is one of the greatest assets any man or woman can have.

When any job is tackled with intelligence and understanding, backed by the love to work, anything reasonable can be accomplished by anyone regardless of one's education, birth, or environment.

Someone once said: "Never tell a young person that something cannot be done. God may have been waiting for centuries for somebody ignorant enough of the impossible to go ahead and do it."

In another portion of the book, Grimes told his associates:

People in all walks of life need constant encouragement and inspiration.

They get these from spiritual ideas and from the visible accomplishments of others.

Each one of us is constantly living with powerful spotlights beaming on us.

Everything we do is watched intensely, and our acts have influence, no matter how small a part we may consider we are playing in the great scheme of life.

The future will be what we make it. There is no such thing as fate or luck. Every day brings new and glorious opportunities to everyone, and when we discharge our individual obligations to God and to our fellow man, we are enriched and equipped with abilities perhaps we never knew we possessed.

I urge all assembled here on the floor of the U.S. Senate to join me in paying tribute to the man who taught others that the spiritual aspects of life, when practiced, are far more important to the well-being of all men than the material advantages acquired through greed.

TEXANS FIGHT POVERTY USING SELF-HELP TECHNIQUE

Mr. TOWER. Mr. President, a recent article in the Abilene Reporter-News illustrates what I consider a proper procedure for fighting poverty: by seeking to eliminate the causes.

This very knowledgeable approach is being taken by the Community Self-Improvement Board, Inc., of Taylor County, Tex. The director of the board is Mr. Carl Kuykendall.

I ask unanimous consent that the article, written by Mr. Preston Maynard of the Reporter-News staff, be inserted in the RECORD, so that other Senators and interested persons may have knowledge of how Texans attack the problem of poverty through programs based on the proven self-help technique.

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

SELF-HELP ANTIPOVERTY PROGRAM IS COUNTY GOAL

(By Preston Maynard, Reporter—News Staff Writer)

Eliminate poverty by removing its causes—that is the goal for Taylor County's newly-chartered Community Self-Improvement Board, Inc., now the focal point here for the "War on Poverty."

"It costs $100,000 in tax money to support one person on relief for his lifetime," Director Carl Kuykendall of the Board said.

"Our purpose is to try to reach the people who are impoverished and to help them remove the reason why they are impoverished," he said.

TWO-PRONGED EFFORT

To do this, a two-pronged effort is planned, utilizing the War on Poverty program, a complex variety of federal agencies and funds.

The Self-Improvement Board will create new projects on the local level to attack poverty, as well as serve as a coordinating and referral agency, sending persons needing assistance to the federal, state, country or city agencies able to provide help.

Creating new projects is the "Community Action Program" of the poverty war, established here with the formation of the board. The ideal behind this, Kuykendall said, is to get the people of a community to become aware of existing problems, and then to reach conclusions as to how these problems can be eliminated. Volunteer effort is an important port of this goal, he said.

CENTERS PLANNED

One step currently planned involves two multiple service centers for areas in Abilene.

These centers would be staffed by persons from the areas involved, Kuykendall said, and speaking the language of the people. The centers would provide employment counseling, homemaking courses, remedial education, child care, legal aid, health services and recreation. Volunteer efforts would remain a part of the center.

A typical need which could be met through the multiple service centers is that of day care for children, he said. The two existing day care centers, operated by the United Fund and privately, cannot handle one-tenth of the need, he said. Such day care projects within the service centers could also provide job training for some persons.

SURVEYS NEEDED

Federal funds can be obtained to lease and remodel properties for service centers, he

said, if surveys show the centers can be justified in terms of need.

Next step will be to make a study to see if need does justify development of these centers, Kuykendall said.

Another current project involves helping citizens of Buffalo Gap plan a waste disposal system, part of the community self-help program. Citizens of Ovalo have also asked to be included in the disposal system. Kuykendall said funds may be available through the Small Business Administration, or may be obtained by a private contractor through the Farm and Home Administration.

NOT JUST RELIEF

The basic idea behind the program is to help people and communities help themselves, rather than merely provide relief, Kuykendall said. Ideas are needed, he pointed out, for projects to carry out these aims.

The office's function of referral will require a familiarity with the various funds and agencies providing aid in the "War on Poverty."

The office is located at 1129½ N. 2nd.

"We will funnel and refer people who need assistance to the agencies in existence," Kuykendall said. "In no way will we take over or usurp any of the functions of existing agencies."

"Most of the agencies cannot afford a staff to go out and find the people who need assistance," he said. The new office will aim at seeing that people who need aid are not left out of the programs, as well as seeing that those who do not need it are not included. All state and federal agencies are now pledged to assist in the poverty efforts, in addition to the Office of Economic Opportunity.

WIDE RANGE

Assistance available ranges from employment counseling to loans to develop a business, buy a farm or repair a home; help in keeping youngsters in school, or opportunities to learn a trade.

Involved in the federal poverty program are the Department of Housing and Urban Development, State, City and County Welfare, Texas Education Agency, Farmers' Home Administration, Small Business Administration, the Texas Employment Commission and others, in addition to the OEO, where the program is centered.

USURPATION OF CONGRESSIONAL AUTHORITY BY FEDERAL COURTS

Mr. TALMADGE. Mr. President, I was shocked and amazed last week by the Federal court injunction barring and restricting a committee of the U.S. House of Representatives from holding hearings. In my estimation, this injunction constitutes an outrageous infringement upon the prerogatives of the Congress and it is in clear violation of the constitutional separation-of-powers concept. Along with most of the country, especially those who cherish and would preserve the Constitution, I was most pleased that on appeal by the Justice Department the injunction was swiftly set aside.

The Savannah, Ga., Morning News of August 16, and the Albany, Ga., Herald, of August 17, published excellent editorials which denounced the injunction and expressed concern over the course this country seems to be taking when a Federal judge takes it upon himself to usurp congressional authority and enjoin a committee of the House from holding hearings.

In my opinion, the concern expressed in these editorials is well founded. I ask unanimous consent that they be printed in the RECORD.

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

[From the Savannah (Ga.) Morning News, Aug. 16, 1966]

WHERE ARE WE GOING?

The Federal Court order issued yesterday blocking a hearing by the House Committee on Un-American Activities into protests against the Viet Nam war makes us wonder seriously where we as a nation are going.

Such action almost is beyond the scope of imagination. And it certainly is well beyond the realm of practical political science and basic jurisprudence.

We would never argue the right and propriety of a federal court to dignify a request for a restraining order, no matter how utterly selfish or utterly ridiculous that request may be.

But we do argue and decry the right and propriety of any federal judge to tamper so directly with the Congress by issuing an order restraining and enjoining a committee from proceeding with hearings.

When such an order is issued, we immediately ask where we are going because we know in fact from where we have come.

We know that our nation is one established and built on a strong foundation of constitutional government. We know thtat our laws are derived from English common law. We know that the rights of a scant few cannot be blown so out of proportion that they obscure the rights of the many. We know that democracy means subscription to those laws which are established for all and not just a few men.

Even as children we were taught that our government was constituted of three separate but equal branches: legislative, executive and judicial. But as adults do we now have to see through a period of misguided change darkly and explain to our children that the three separate branches of government are, in fact, not equal?

Must we witness, not as innocently as children, the alteration of our Constitution and those precepts that have made our nation great? We just may have watched all too long as a Supreme Court chipped and altered and reshaped a Constitution that stood long and well as a beacon of freedom and democracy for a world too often bereft of dignity for men.

The House Committee on Un-American Activities today was scheduled to hold hearings on a bill designed to make it a criminal offense to attempt to interfere with the movement of men or material to Viet Nam. The opponents of this bill would have had their opportunity to speak about it at the scheduled hearings.

Yet they chose litigation to stay, if not quash, the hearings and a federal judge upheld in theory, if not action, their request. And as the American Civil Liberties Union asked for the restraining order, and as the federal judge granted it, more Americans died in Viet Nam.

An assistant U.S. attorney, pleading the case yesterday, said that "never in the history of this nation has this court or any other court enjoined a legislative function . . ."

His plea failed to stop the issuance of the injunction.

Where are we going?

[From the Albany (Ga.) Herald, Aug. 17 1966]

CONSTITUTIONAL CONFRONTATION

Critics of the United States Supreme Court's activism have, since the school desegregation decision of 1954, argued that the Judicial Branch of the Government was attempting, through its decisions, to usurp the prerogative of the Legislative Branch to make the nation's laws. Because these critics generally have been conservative in their political philosophy, the Liberal Establishment whooped that they were so myopic as to imagine subversives being under every bush and tree in the land and, in general, were conducting themselves in a ridiculous fashion.

But, a dozen years and dozens of similar Supreme Court decisions later, it is the conservatives who have been proven by events to be prescient and the liberals to be shortsighted.

The trend has now been carried to the ultimate—a decision of a United States district court judge enjoining the House Un-American Activities Committee from conducting hearings into the character of demonstrations mounted against the war in Viet Nam.

The Federal Judiciary has now reached the point of openly challenging the wholly Constitutional function of the Federal Legislative Branch.

Fortunately, for the preservation of the fabric of our Constitutional society, a special three-judge Federal court overruled the decision of the district judge enjoining the House committee from opening its inquiry. Even so, however, the three-judge panel let stand another order of the district judge which called for the creation of a special three-judge court to decide whether the House Un-American Activities Committee was Constitutionally created.

Thus the threat of Judicial interference with Legislative functions remains.

Beyond that, the threat also is one to the Constitutional establishment of the American Government as such.

The Constitution clearly defines the duties and responsibilities of the three co-equal Branches of Government and, further, specifically provides for the strict separation of their respective powers.

The language of our organic law in this connection is unmistakably plain. Article I, Section 1 reads: "All legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives." Article III, Section 1 is similarly positive: "The judicial power of the United States shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish."

Now, for the first time in the 190 years of this republic, a Federal court has gone so far as to enjoin the Federal Legislature. The district judge responded affirmatively to a plea of two plaintiffs, both of whom had been subpoenaed to appear before a hearing of the Congressional committee, who alleged that they might place themselves in imminent danger of prosecution by responding to the summons. What they challenged, through their American Civil Liberties Union attorneys, was the Constitutionality of a rule under which the House Un-American Activities Committee was established by the House of Representatives.

Tied to the Constitutional issue involved—and that is the only real issue in the case—is much of the propaganda of the anti-Viet Nam War movement in this country. ACLU said the two plaintiffs, for example, as well as 11 other witnesses, "have all been identified with diverse views antagonistic to the present Administration's military policies. Their being called suggests an over-all plan to discredit the peace movement and foreign policy dissent."

Patently, the subpoenas suggest nothing of the sort. The Congress of the United States has a Constitutional right, indeed a duty, to make inquiry into any matter on which it may or may not choose to legislate.

For the Federal Judiciary, with the employment of the injunctive power, to attempt to block that right presents the shabby spectacle of a wholly needless Constitutional confrontation that has been assiduously avoided by all three of the co-equal Branches of Government in the past. The course of caution, and the rejection of absolutes, has been practiced by the Executive, Legislative and Judicial Branches precisely because the framers of the Constitution expected them to be forever sufficiently adult, intelligent and statesmanlike to operate within the system of checks and balances for the common good.

Now to upset that equilibrium is to imperil the democratic processes by which the American people have their Governmental being.

NATIONAL DRUM CORPS WEEK

Mr. BREWSTER. Mr. President, the week of August 20 to 27 is being celebrated across the country as National Drum Corps Week. Because of my interest in our Nation's youth, I believe drum corps is one activity that deserves special commendation.

More than 1 million people in the United States are active in drum corps. These members are the ones responsible for the pageants of music and marching that highlight the exciting parades we all enjoy. Through their vigorous and colorful public displays, the corps serves to remind all Americans of their great heritage. And who of us is not moved with feeling of patriotism when watching these proud marchers step smartly by.

Besides providing enjoyment for the public, drum corps offer a healthy outlet for the energy of their youthful participants. The demands of a drum corps include self-discipline, hard work, and the ability to cooperate with others. It is clear that this most worthwhile form of recreation fosters a sense of accomplishment and gives each participant self-confidence and poise.

Drum corps, such as Maryland's Dundalk Cadets, St. Mary's Lancers, and Yankee Rebels, are thus making a constructive contribution to American life. They deserve credit not only for the talent and skill of their performing youth, but also for the enthusiasm and selfless work of their sponsoring adults.

In recognition of this historical, yet developing activity, I urge communities all over America to continue supporting their local drum corps organizations. I also invite my colleagues in the Senate to join me in congratulating the drum corps during this week of national observance.

NEW HAMPSHIRE APPLE GROWERS; LAW OF SUPPLY AND DEMAND IN THE LABOR MARKET

Mr. COTTON. Mr. President, the apple growers of New Hampshire have been confronted for the past 2 years with a new high hurdle to jump, in their efforts to produce, harvest, and market their fruit at a reasonable return to themselves. Strangely enough, in addition to the fight against pest and disease, worry about drought, temperature, and hail storms, concern about consumer demand, they now must go 10 rounds with the Federal Government. As they have learned to their dismay, they are engaged in a badly mismatched contest.

New Hampshire, I am pleased to say, enjoys an unemployment ratio of only 1.5 percent, which must be close to, if not the lowest in the Nation. This means, however, that local seasonal workers simply are not available in sufficient quantities to pick our apple crop. The same is true essentially as to domestic migrants. Accordingly, our historic reliance on the use of Canadian pickers has become even more acute. And yet, the Department of Labor chooses this situation to force, with unwaivering rigidity, its concept that no foreign labor should be permitted into this country so long as an able bodied American citizen remains unemployed. In theory, this is sound. In practice, it does not work, and the consequences are tragic.

Last year, New Hampshire growers suffered heavy losses because the Labor Department was determined to indulge its own pet theory that square pegs can be forced into round holes. We finally, after vigorous protest, were able to obtain approval for the importation of some Canadians, but the approval was for far fewer than needed, and it came only days before the harvest commenced. It was a classic example of too little and too late.

This year, after that nearly catastrophic experience, the Department made a much more timely decision. Our growers now have time to recruit Canadian crews, but again the Department chose to ignore the carefully compiled certification of need by the New Hampshire Department of Employment Security and allocated my State only 62 percent of its requirement. This since has been adjusted to 70 percent, but most of our growers still do not know how they will harvest their crop. It must give them sleepless nights.

An excellent editorial on this subject, entitled "A Hollow Triumph," appeared in the Milford, N.H., Cabinet for August 18, which effectively and succinctly goes to the heart of this matter. I ask unanimous consent that it be printed at the conclusion of my remarks.

As the writer says, why not let the law of supply and demand take over in this situation. No one would be hurt—least of all American labor. It is heartbreaking indeed to see our growers spend time, money, and energy fighting their own Government for permission to survive. We annually appropriate huge sums for the Labor Department's Bureau of Employment Security and its Farm Labor Service. I am rapidly coming to the conclusion that we are employing taxpayers' money to put taxpayers out of business and that further use of these funds for such purpose warrants careful scrutiny by the Congress.

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

A HOLLOW TRIUMPH

Secretary of Labor W. Willard Wirtz has approved the certification of 900 Canadian apple pickers for five New England states, and while this is far fewer than had been requested, the press release from Washington describes the timing of the decision as "a triumph for the apple growers of New Hampshire and New England in their efforts to harvest the important apple crop."

To those of us who grew up with the notion that government is supposed to serve the people, it is discouraging to find that a change in a regulation should be thought of as a "triumph." Apple growers have to work hard enough as it is to triumph over fungus, insects and drought, without battling their government as well. Of all the irritating examples of bureaucratic nit-picking, the prize example would seem to be the need for recurring arguments with Secretary Wirtz over the number of Canadian apple pickers to be allowed into New Hampshire. Instead of graciously allowing the New England growers to "triumph," by permitting them 900 of the 1500 pickers they asked for, the government would be a lot more helpful if it would just step aside and let the supply and demand of the labor market take over.

No one sees Americans being forced out of jobs by the seasonal Canadian labor. Nor have we detected any feeling that local interests have been hurt by the Canadians who have appeared in our orchards each autumn. At most only a few hundred workers are involved. Yet the Administration chooses to hold the line on an issue which embarrasses the Democratic politicians, gives ready-made ammunition to the Republicans, and which imposes uncertainty and hardship on the apple growers, including those with orchards on the hills bordering the Souhegan valley.

The most helpful thing Washington could do would be to drop the whole matter until such time as there is a real need to control Canadian labor. With all the problems facing the Administration, it is distressing to see how a set of regulations can demand the time of labor officials, congressmen and senators, and it is heartbreaking to see the growers take time and money they can ill spare to plead with their government to be allowed to follow tried and true methods of harvesting their crops.

TRIBUTE TO A PATRIOT—FULTON LEWIS, JR.

Mr. SIMPSON. Mr. President, yesterday a very dear, close, and personal friend of mine, Fulton Lewis, Jr., passed on. I feel a deep sense of personal sorrow that the pleasant association with a man of his intelligence, rare judgment, and warm personality is ended. My own association with him has given me a great respect for his integrity and sincere admiration for his loyalty to friends and his generosity in helping others. The world is a far better place for his having been here.

His death is a great personal loss to Mrs. Simpson and me. Fulton Lewis, Jr., was the golden voice of constructive conservatism. He had two daily broadcasts which were heard on the Mutual Broadcasting System on more than 500 radio stations across the country. He wrote a syndicated column that appeared in 200 newspapers. The attention he gave to the "little stories" made his coverage unique and interesting, as well as powerful.

I knew Fulton Lewis, Jr., to be an absolutely charming gentleman. He was a man of great and varied talent. He was extremely generous in all things. He was an exemplary Christian who loved his church. He was a patriot who had complete devotion to his country. He was a devoted family man and a

splendid friend. Fulton Lewis, Jr., lived a full life and contributed richly to his country and to its future. He left behind his beloved wife Alice and his two children—Fulton Lewis III, and his daughter, Betsy Enny, and their children.

Mr. President, I am grateful for the close and wonderful friendship that Fulton Lewis gave to me. Words cannot express the sorrow that I feel in my heart because of his loss. I ask unanimous consent to have printed in the RECORD at this time the newspaper accounts of his death. These articles set forth the story of his life which exemplifies the hope and belief that he advocated for this country and demonstrates that there is still an opportunity in America for one who is willing to work hard and to pay the price for success. And, in every respect, my friend Fulton Lewis, Jr., was a success.

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

[From the Washington Star]

FULTON LEWIS, JR., DIES; BROADCASTER, WRITER

Broadcaster and columnist Fulton Lewis Jr. died of a heart attack yesterday at Doctors Hospital, where he had undergone surgery for pancreatitis two months ago.

Mr. Lewis, 63, once stated his personal and professional credo this way:

"The public has no idea of the gypping it is taking, of how often the wool is pulled over its eyes. This is very serious business, the people are supposed to be running the show; actually they are often being duped.

"I am dedicated to change that."

Mr. Lewis, a big, sandy-haired man, had two daily broadcasts in recent years on the Mutual Broadcasting System and wrote a syndicated column, "Washington Reports," which appeared in more than 200 newspapers.

SON SERVES AS STAND-IN

Mr. Lewis' son, Fulton III, appeared in his stead on the radio programs after the commentator had undergone surgery. A Mutual spokesman said the younger Lewis may continue the programs.

A voice of conservative American thinking for three decades, Mr. Lewis once said he felt he was the man who spoke for the small town businessman, "Mr. Average Listener," who had a home in the suburbs, a mortgage and children.

In expressing this point of view, Mr. Lewis won friends and enemies in about equal number.

He bitterly criticized President Franklin Roosevelt's New Deal, President Harry Truman's Fair Deal and a host of liberal figures including former Vice President Henry A. Wallace, former presidential aide Harry Hopkins and labor leader Sidney Hillman.

SAW ATOMIC GIVEAWAY

On one of his broadcasts, Mr. Lewis interviewed C. Racey Jordan, a wartime Army captain, who said that Hopkins had personally ordered and facilitated shipment of atomic secrets to the Soviet Union. "It is now apparent that Hopkins gave Russia the A-bomb on a platter," Jordan said. On a subsequent broadcast, Lewis charged that Wallace had expedited shipments of atomic materials to Russia.

The House Committee on Un-American Activities briefly investigated the charges and found them baseless.

Mr. Lewis also was among the staunchest supporters of the late Sen. Joseph R. McCarthy. In 1954, the Wisconsin Republican used Mr. Lewis' program as a forum to defend himself after the late Edward R. Murrow's "See It Now" television documentary had attacked the senator's investigatory methods.

Mr. Lewis was born in Washington, the son of Fulton and Elizabeth Lewis, and was said to have been related to Mordecai Lewis, the Revolutionary War financier.

During Mr. Lewis' early years, his family apparently hoped he would become a musician. For 14 of those years Mr. Lewis studied piano, voice, harmony and composition. In high school, he wrote the complete script and scores of two musical comedies which were produced.

While he was at the University of Virginia, Mr. Lewis composed the "Cavalier" song, after which the athletic teams of the university are named.

JOINED OLD HERALD HERE

Mr. Lewis left college in 1924 and joined the old Washington Herald as a reporter. For four years he was a national reporter and also wrote a fishing column. He became city editor of the Herald but left the paper in 1928 to join Hearst's Universal News Service.

Mr. Lewis headed the Washington bureau of the service for nine years. In 1937 he left Universal, which had consolidated with the International News Service, and joined Mutual's Washington-affiliated station. Two months later, he went on Mutual's coast-to-coast network.

Mr. Lewis served a stint as a war correspondent in 1945.

Statements made on one of his broadcasts caused a District jury to return against Mr. Lewis the largest libel award ever made here. The $145,000 judgment was won in 1959 by Pearl A. Wanamaker, superintendent of public instruction for the state of Washington. Mr. Lewis had linked Mrs. Wanamaker with a State Department employee who had fled behind the Iron Curtain.

LATER SET ASIDE

The judgment was set aside later by District Court Judge George L. Hart Jr., who held that the verdict was excessive and that the jury "was influenced by passion or prejudice." The case was settled out of court without a second trial. The settlement details were not disclosed.

Mr. Lewis received the American Legion's Fourth Estate Award in 1962. In 1958, he received the American Jewish League Against Communism Award.

Mr. Lewis also held the Alfred I. du Pont and Sigma Delta Chi commentator awards, which he received in 1942. In 1939 and 1949, he was voted one of the 10 most outstanding young men by the National Junior Chamber of Commerce.

During that time, Mr. Lewis was active in securing a major victory for the radio news industry—access to House and Senate press galleries.

Among Mr. Lewis' hobbies was organ-building. In 1947, he helped construct an organ for the Hollywood Methodist Church in Southern Maryland, where he was living at the time.

"The kids wanted an organ," Mr. Lewis recalled later. "They knew I had a complete home workshop. I was stuck."

ANOTHER IN HOME

Another organ the commentator built was installed in the basement of his home at 2800 Upton St. NW, his last residence.

Besides his wife, Alice and his son he leaves a daughter, Alice Elizabeth.

The family requested that expressions of sympathy be in the form of contributions to the St. David's Episcopal Church Organ Fund.

A memorial service will be held at 2 p.m. tomorrow at St. David's Episcopal Church. Burial will be private.

[From the Washington Post, Aug. 22, 1966]

RADIO COMMENTATOR, COLUMNIST FULTON LEWIS, JR., DIES AT 63

Fulton Lewis Jr., radio commentator and columnist, died of a heart attack early yesterday at Doctors Hospital. He was 63.

To thousands of Americans during the 1940s and 1950s he had been the true voice of common-sense thinking and genuine Americanism. But his conservative views won him as many enemies as friends.

He felt that he was the man who spoke for the small town businessman, for what he called the "Mrs. Average Listener," who lived in a small home in the surburbs and had a couple of children.

At the time of his death, Mr. Lewis had two daily broadcasts, 5 and 15 minutes each, which were heard on the Mutual Broadcasting System on more than 500 radio stations across the country. However, his son Fulton Lewis 3d, had been appearing in his stead on his radio programs for the past two months, after Mr. Lewis underwent surgery.

The son of a prominent Georgetown attorney, Mr. Lewis was for a time a student at the University of Virginia and Georgetown University. After deciding to drop out of school, he worked as a reporter for the old Washington Herald, a Hearst paper, earning $18 a week.

He became city editor, sports editor and society editor simultaneously, but he made the mistake of uncovering an air mail scandal which involved some of William Randolph Hearst's friends. This ended his career on that paper.

He then decided to take a $25 a week job reading radio bulletins. The job began in 1937, but it was not until 1940 that Mr. Lewis's unique and opinionated style seemed to catch on.

Mr. Lewis was a war correspondent in 1945. He further made a name for himself by the work he did to secure radio press gallery privileges in the House and Senate. Previously, gallery privileges had been enjoyed only by newspapers.

He also wrote a column, "Washington Reports," which appeared in over 200 newspapers.

What Mr. Lewis enjoyed best was not covering the big story that was already in the news, but uncovering a potentially big story that was as yet unknown. He once charged that three little Swiss restaurateurs in San Francisco were being regulated out of business by the Office of Price Administration.

Mr. Lewis was not afraid to air his personal views vigorously on his radio program. "The public has no idea of the gypping it is taking, of how often the wool is pulled over its eyes," he once said. "This is a very serious business, the people are supposed to be running the show; actually they are often being duped. I am dedicated to change that."

Mr. Lewis's radio program at one time had an audience of over one million listeners. The program was called "The Top of the News" and always ended with the phrase, "That's the top of the news as it looks from here."

The program may be continued despite his death. A Mutual Broadcasting System spokesman said that his son may take his place.

Mr. Lewis had interests other than the news. He was an avid musician and a builder of organs. Before his death, he had been working on an antiphonal organ for St. David's Episcopal Church.

Mr. Lewis lived at 2800 Upton st. nw.

The family requests that expressions of sympathy be in the form of contributions to the St. David's Episcopal Church Organ Fund.

Mr. TOWER. Mr. President, we all have learned with great sadness of the

death yesterday of Mr. Fulton Lewis, Jr., widely known and respected radio commentator and columnist.

Fulton Lewis, Jr., was a man of wisdom and compassion. He loved his country and his fellow man. In commenting on the issues of the day he called the facts as he saw them, never hesitant and never intimidated. He was a conservative and proud of it.

For many years his broadcasts reached a million listeners through as many as 500 radio stations across the country. His writings were carried by some 200 publications.

Fulton Lewis, Jr., was a graphic example of both American freedom of speech and American determination. He could not be silent when he saw his country wronged or his Government trespassing on the rights of its citizens.

It is typical of Fulton Lewis that his humility and dedication prevented him from perceiving the full extent of his contribution to his fellow men.

Americans listened to him, disputed with him, agreed with him and respected him and will miss him. No American can ask for more.

RETIREMENT OF GEN. B. A. SCHRIEVER

Mr. CANNON. Mr. President, on August 31, 1966, Gen. Bernard A. Schriever, U.S. Air Force, will conclude an honored and distinguished career of 32 years of military service. His crucial role in the fight to insure that the United States be victorious in the "technological war" has won him a permanent niche in the community of freemen everywhere. His dedicated public service, at a great personal sacrifice, merits the admiration of a grateful Nation.

The roar of giant rockets from Cape Kennedy, Fla., and Vandenberg Air Force Base, Calif., as man breaks through the atmosphere in his reach toward the outer expanses of space is a constant reminder of the Nation's indebtedness to General Schriever and to the far-reaching consequences of the exploding technology of the aerospace systems he directed.

Those of use who have known General Schriever personally have respected him for his professional competence, his inspired patriotism, his dedication to progress, his courage in fighting for his beliefs and accepting personal risks, his faith in the unlimited potential of man, and the broadness of his vision.

"Bennie" Schriever was one of the leaders of a small group of determined visionaries, both inside and outside the Government, who pressed forward with the development of the first U.S. intercontinental ballistic missile. His personal role in directing this colossal undertaking, an effort which in manpower, technological ingenuity, and billions of dollars dwarfed the Manhattan Project and which posed operational and organizational problems unique in military history, is a success story of courage, unflagging determination and managerial ingenuity.

The Air Force ballistic missile program was a race against time. We were at least 5 years behind the Soviet Union in developing powerful new weapon systems. The reasons for the delay are ancient history, but the effect was to call for a concerted national effort, surpassing any technical program in the past, in order to overtake Soviet technology.

In 1954, General Schriever was handed a top priority mandate—to forge a more effective deterrent in the shortest possible time. The Nation remembers well General Schriever's successful accomplishment of this responsibility and how the Soviet lead was overcome by his mobilizing to the fullest extent the technological resources and energies of the industrial communities of the free world, by his cutting red tape in every possible way to reduce "leadtime," by his adopting streamlined methods of programing and administration in a veritable "management revolution," by his coordinating the simultaneous planning and production of aerospace systems to produce better results at lower costs, and by his inspiring a hand-picked team of science-industry-Government engineers and technicians with a personal example of energy, drive, and intenseness.

The Atlas, Thor, Titan, and Minuteman ballistic missiles were direct results of General Schriever's dynamic management approaches. This airman-scientist had won the race against time and demonstrated convincingly that a democracy can compete—even in peacetime.

These missile programs not only gave the United States a strong and positive deterrent capability throughout the 1960's and beyond, but provided this country with the hardware and facilities for urgently needed civilian and military space systems. Equally important, this program represented the Nation's greatest single peacetime scientific and industrial effort; produced new knowledge and a new aerospace industry; and provided us with an economic and military capability virtually nonexistent barely a decade ago.

Convinced that science and technology would have increasing influence upon the defense posture of the world, General Schriever established and directed long-range technical planning studies to keep alive the momentum of technological change. Repeatedly he told audiences across the country that we were on the threshold of unprecedented scientific achievements. He became the catalyst to keep the Nation's technological wheels moving. He challenged the brains of industry, Government, and universities to accomplish the difficult and the impossible.

Recent breakthroughs and advancements in aeronautics, materials, propulsion, flight dynamics, and computer technology resulting from the Air Force's Project Forecast study which he directed will have a major impact on the characteristics of our military posture well into the 1970's. His inspired vision in identifying and planning for the technology of the future through the Air Force Systems Command, which he headed since 1959, resulted in significant aerospace contributions to the survival of democratic free government.

In an age of nuclear fear, the American people can be inspired by words spoken by General Schriever in 1959:

> My own faith is that we will meet the challenges now confronting us in ways worthy of our heritage, and that we will move forward with strength and determination in building the kind of world we want—a world in which all men can work and live in freedom.

The Nation needs this kind of patriot more today than ever before. Even though General Schriever will retire from active military service, we hope that he will still counsel the American people on the significant issues of the day for many years to come.

SCHOOL MILK PROGRAM GOOD EXAMPLE OF PREVENTIVE MEDICINE

Mr. PROXMIRE. Mr. President, it is estimated in the President's budget that the National Institutes of Health will spend over $1 billion in fiscal 1967 for research and training in the health field. Yet one Federal program that has been instrumental in promoting good health among the Nation's youngsters, the special milk program for schoolchildren, was cut back by 10 percent last year because only $100 million was made available for the program.

Perhaps the single most important characteristic of the school milk program is its value as a preventive health measure. As we all know, preventive health simply means preventing disease rather than curing it. It is much less expensive, in terms both of money and lives, to prevent disabling disease than it is to cure disease once it has attacked the human organism. This is why we hail medical breakthroughs such as the discovery of a polio or measles vaccine. This is also why we should support the school milk program to the best of our ability. By providing good nutrition for our children in their formative years it has undoubtedly played a key role in the health of an entire generation of Americans.

Mr. President I intend to fight to see that the school milk program gets all the money it needs. The $105 million provided by the Senate as a part of the fiscal 1967 Agriculture appropriations bill is, in my estimation, inadequate. I will do my best to see that sufficient funds are made available for the program through a supplemental appropriation bill if necessary.

CALL RESERVES BY UNITS

Mr. TOWER. Mr. President, I ask unanimous consent that there be printed in the RECORD an important article by Mr. Jim Wright of the Dallas Morning News.

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

[From the Dallas Morning News, Aug. 20, 1966]

CALL RESERVES BY UNITS

(By Jim Wright)

"We have got a scandal here," declared Senator RICHARD RUSSELL. "Men who have

enough pull to get into the Reserve or National Guard units are not being sent to fight, while the man across the street who is drafted lands in Viet Nam."

Whereupon, Senator RUSSELL's fellow senators passed an amendment to give the President authority to call up, as individuals, all those reservists who have not served on active duty beyond the 6-month period of basic training.

One of the 21 senators voting against the amendment was Texas' Senator JOHN TOWER, who said:

"Reservists and guardsmen are in no wise to be regarded as some sort of draft dodgers. They have served and will serve their country whenever called. . . . We must not destroy the Guard and Reserve units by stripping personnel from them on an individual basis."

The freshman Republican senator deserves the applause of his fellow Texans for standing up against a politically popular measure in an election year. But even more important, the point that Senator TOWER has made deserves the close attention of Texans and, in fact, all Americans.

The senator from Texas is not only courageous but right. The proposal to call up reserves as individuals is the most ill-advised legislation on military matters Congress has yet considered.

This is so, not because it enables the call-up of the reserves, but because of the way in which it empowers the President to call them up. It proposes the call-up of only those individual reservists who have completed six months' basic training but no other active duty. The reservists are known as "obligors," since they have not yet served out their military obligation.

If this proposal becomes policy, it will hamstring the regular forces and gut the Reserve. It will seriously damage, perhaps beyond repair, the high-priority force of Reserve units, units that have been laboriously built up into combat-ready organizations at a cost of hundreds of thousands of man-hours and billions of taxpayer dollars.

The call-up of the individual Reserve obligors from their units is being proposed in the name of "equity." A strange argument that, in view of the fact that the amendment's sponsors, in advancing it, categorized by implication thousands of volunteers as shirkers and draft dodgers. The fact is that these young men volunteered, many of them four or five years ago, for a program established by Congress itself.

The Reserve concept has changed in this country during the past decade under the impact of fast-moving diplomatic and military events. And with it, the Reserve forces themselves have changed. The greatest symbol of this change, in fact, the factor that made the change possible, is the class of reservist known as the 6-month trainee or obligor. Congress itself created this class of reservist with the Reserve Force Act of 1955. And no one of its senior members implies that those within it are deliberately evading their duty. The facts prove him wrong.

The old concept of the Reserves envisioned Reserve units primarily as manpower pools, in which experienced officers and senior NCOs could keep in touch with current military doctrine. They were maintained primarily to provide a cadre of "chiefs," to furnish leadership for the masses of conscripts that would be drafted in case of war. They could fulfill this purpose with little equipment and without a full complement of troops.

But with much of the world under arms and with brush wars erupting literally overnight, it became obvious in the 1950s that future emergencies would allow no time for a leisurely build-up. Organizing, training and equipping Reserve-led, draftee-manned divisions took many months, far too long for the required quick reaction.

So it was decided to flesh out these skeleton Reserve units by recruiting large numbers of enlisted men with no prior service other than their basic training. At a time when draft calls were very low, Congress offered these men the chance to serve their obligations with a sure six to eight years of troop service with the organized Reserve units, as an alternative to waiting for a possible draft call.

The young men who joined did not escape the responsibility to go into combat, however. On joining they had no way of knowing whether they would serve out their obligation with six years of Reserve drills or be mobilized with their units the day after they completed basic training. The most likely possibility seemed to be that they would be the first to go in case of emergency.

The new concept of the Reserve was to make its units into real military units, well-equipped, trained and ready to go into action at a few days' notice. When the Kennedy-Johnson administration came to power in 1961, its new secretary of defense, Robert S. McNamara, committed the nation to a massive reorganization and strengthening of the Reserve units. The new top-priority Reserve, he declared, would have a primary goal:

"To provide the active army with the quick reinforcement it needs to meet sudden crises. . . This requires the development of a high-priority force of strongly manned, well-trained and adequately equipped units."

To develop units to this status required time and sweat to get the training. It required billions of dollars to furnish the equipment and supplies the units needed to become ready for deployment.

And most of all, hundreds of thousands of men were needed to make military units out of the old cadres. Using the 6-month program, Congress got the people and it got the elite, combat-ready Reserve units it asked for.

Today the high-priority divisions of the Army's Selected Reserve Force are at the highest state of readiness in that arm's history. Air Guard squadrons stand 24-hour-a-day air alert as part of the nation's air defense command. Reserve and Guard transport squadrons fly vital cargo to Viet Nam and elsewhere. The Marine Reserve's 4th Division/Aid Wing Team is included with regular divisions as part of the fire-brigade Fleet Marine Force and is described by the Marine commandant as in the highest state of combat readiness ever.

These are the units the Senate now seems to want dismantled. The proposed plan will take the less-well-trained but more-numerous obligors and leave behind the experienced officers and nonobligor officers and senior NCOs who are supposed to lead them. It will swamp the regular forces with hundreds of thousands of unled troops at a time when the Regulars are hard pressed to find officers and senior NCOs for the draft-expanded units already existing. It will turn the high-priority Reserve units back into skeletonized cadres—all chiefs and no Indians.

Doing this makes about as much sense as taking the jet engines out of every modern fighter plane in this country and donating them to a scrap iron drive. Such an act may demonstrate support for the war effort, but it demonstrates stupidity even better.

A year ago the mobilization of the high-priority Reserve units seemed imminent. The top units had been publicly designated by the Joint Chiefs of Staff for call-up. Since the full-scale American effort (and the heavy draft calls therefor) had just begun, we heard no senatorial charge that the obligors in the Reserve units had joined them to escape the shooting.

As a matter of fact, it seems likely the obligors would be among the first to get aboard the troopships. Today the units are made up of about the same people. Yet today the Senate is implying that they are shirking their duty, presumably by foreseeing three, four or five years ago that the U.S. would go to war in Viet Nam and that the President would not use the Reserves.

The senators are unfair to the obligor reservists. Their amendment will be disastrous to the Reserve units that took years to build. If the President requires the Reserves in Viet Nam, as it appears, they should be deployed as they were meant to be deployed, as trained, intact units.

BREAKTHROUGH IN DETECTION OF FOREST AND RANGE FIRES

Mr. MOSS. Mr. President, the Western States have been suffering from severe drought this year. Rainfall is far below normal in most of the Western and Mountain States. Crop damage is severe because of a lack of water for the fields. Many emergency measures have been instituted in an effort to reduce the loss.

The drought has also caused an exceptionally serious range and forest fire problem in the West. I am happy today to report to my colleagues on the rapid progress of a new fire detection and mapping research program which has been quietly moving forward in Utah, Idaho, and Montana.

The U.S. Forest Service and the Department of Defense have been conducting a cooperative research venture which is designed to, first, detect forest and range fires in remote areas many hours in advance of more routine methods of detection, and secondly, to develop a system which will accurately map the terrain surrounding a fire so that men and equipment can be directed to the source of the fire.

The Forest Service fire scan project has made what appears to be a breakthrough by the development and use of sophisticated infrared sensing equipment installed in an airplane borrowed from the U.S. Air Force. Electronic equipment developed by Forest Service Electronic Engineer Stanley Hirsch is now flying on board an Air Force T–29B, which is presently stationed in Boise, Idaho. A recent test of the detection equipment provided an interesting and highly accurate example of how this new concept will aid firefighters in the United States.

The plane, piloted by Forest Service crews, followed a late evening lightning storm across the heavily forested mountains. The infrared sensing equipment detected a small fire which had been caused by the storm. As it happened, the fire was very near a manned lookout station, but the lookout was unable to spot the fire even after a radio report had pinpointed the exact location. A spotter plane was sent into the area, but the pilot and observer could not even locate the fire. Ground crews directed by the information compiled by the experimental program, however, were able to find the fire and extinguish the flames before a major blaze developed.

The cooperative research effort is directed toward detection and mapping. The thermal radiation of a small range or forest fire can be detected at any time

of day or night by infrared sensing equipment. The equipment is so delicate that it can distinguish between the normal background radiation and a small fire. Most of the lightning-caused fires occur very late in the afternoon and in the evening hours. Small fires are almost impossible to detect at night, when a column of smoke is invisible. Airplanes with the sensing equipment on board can sweep areas through which storms have passed in a few hours and easily detect the fledgling fires.

Once a fire is located, equally efficient equipment can be utilized to determine the type of terrain in which the fire is located, record the type of fuel most likely to be contributing the most to the intensity of the blaze, and in general provide amazingly accurate and fast mapping of a fire area. A nighttime intelligence operation has been found to be very useful. Once a fire is located in the darkness, maps can be prepared from the airborne scanners and assembled for transmission to fire supervisors on the ground. Fire suppression crews can be assembled and started on their way to the blaze many hours in advance of the time it would take to discover and pinpoint the fire by conventional methods.

Mr. President, I cannot discuss progress in forest fire control without mentioning the tremendous contribution that has been made in this field by one of our colleagues, the distinguished junior Senator from Montana [Mr. METCALF].

It was he who led the fight against proposed budget reductions for the Clark-McNary cooperative forest fire control programs, as a member of the House Interior Committee more than 10 years ago. It was his bill, H.R. 8852, in the 85th Congress, to authorize a comprehensive program of forest fire research and to establish regional laboratories, which paved the way for Project Fire Scan and the modern, electronic methods of fire detection and suppression now being developed. There is no Member of either the House or the Senate who has done more than Senator METCALF to modernize and sustain this country's cooperative forest fire control program.

We may be seeing the end of the fabled Forest Service fire lookout tower. Many of these high, wooden structures were, as I recall, constructed during the days of the Civilian Conservation Corps. They have a spot in the romantic history of our vast public forests. But, the space age may have taken the justification for the lookout towers, with the advent of highly-classified inventions that are a credit to personal initiative and ingenuity.

The new systems are expected to be fully operational in a few years. The research and development costs have been held to very reasonable limits by the Forest Service and the Department of Defense. To put the systems into daily operation will be expensive, but not so in contrast to the costs of fire suppression, lost timber resources, manpower costs and old-fashioned fire detection systems. We will be saving money by inaugurating this system as soon as possible.

There are other benefits from this Forest Service research program. The Defense Department has been cooperating because of many military uses of this sensing and mapping equipment development program. This has caused some problems with security, but through a conscientious effort, the program has moved forward.

I look to the day when an airborne fire patrol system will be implemented, with the valuable information radioed to a central fire control agency with the responsibility for dispatching crews and equipment to fires on the ranges and in the forests of many States.

THE PROPER PERSPECTIVE

Mr. SIMPSON. Mr. President, in Saturday's Washington Evening Star, I found a very interesting column written by Jenkin Lloyd Jones. It presents a candid and frank view on the civil rights movement. I recommended it for reading to my Senate colleagues.

I ask unanimous consent that it be printed in the RECORD at this point.

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

WHERE RIGHTS FIGHT WENT WRONG

(By Jenkin Lloyd Jones)

The civil rights movement has gone sour, and the time has come to put down the Molotov cocktails, the "Black Power" and "Nigger Stay Out" signs, and see just where we stand.

The cause of justice made a lot of progress for a while. Overdue legislation was passed making it illegal to assign a student to a particular school because of the color of his skin. The right to vote tardily followed the right to be taxed. Freedom of public accommodations was guaranteed. And, most important of all, fair employment became a national policy.

Having pried open these long-closed doors the civil rights movement faced two options. One option was the preparation of Negroes to seize these advantages so that they might be used and enjoyed without doing violence to the standards, ethics and performance levels in vogue among the general populace. And the other option was to make new and continually escalating demands with the threat of civil commotion if the demands were not met.

The latter course was taken. And we marched right back into racism again—with a little different twist.

Those who had deplored the assignment of children to a particular school because of their race soon began to demand just that—the breakup of neighborhood schools and the assignment of pupils to achieve what they regarded as a suitable "racial mix." This was racism—directing a child to a specific school because of his skin color.

For years civil rights organizations had been pleading that in matters of employment no notice should be taken of an applicant's race, that the man or woman be judged as an individual. But no more. Now race is the thing.

In St. Louis Negro leaders demanded that contractors hire the same proportion of Negroes in construction labor as exist in the city's population. Nothing was said about training. Another story in the same St. Louis newspaper stated that only 15 per cent of school dropouts had chosen to enroll in free vocational classes, including plumbing, carpentering, bricklaying, etc. It's easy to demand, but it takes effort to learn.

In Oklahoma City Rep. ADAM CLAYTON POWELL insisted that all public officials, elected or appointed, must contain the proper proportion of Negroes at all levels. How this is to be achieved under democratic processes was not explained by POWELL. But this, too, is the same racism once deplored by civil rights leaders—the business of looking at a man's skin before you inquire into his qualifications for the job.

Worst of all has been the retrogression of CORE and the Student Non-Violent Coordinating Committee (Snick) into racist groups.

White "liberals," once a pillar of support for both organizations, have been scornfully rejected. The old aim of integrating into the power structure by demanding equal treatment under the law and equal opportunity for jobs has changed. Now the demand is for guaranteed incomes, rent subsidies, and special considerations in employment "to redress long-standing wrongs."

Of course, all this will fail. It is one thing to castigate a majority for having discriminated against a minority, and to demand that such discrimination cease. But it is an entirely different thing to demand that the majority grant special privileges to a minority. Under popular government, this would never last.

In the meantime, the long, slow but solid road to education, training and self-discipline could stand a lot more traffic. It is the road that most of America's white immigrants had to travel. You didn't riot because the tenement had rats. You put the garbage in the can and the rats starved.

You saved your money and got a push-cart and later a hole-in-the-wall store. You went to night school and eventually you could move to a proper apartment and then to a row house and then to a suburb. You didn't march around throwing bottles of gasoline and demanding that it all be handed to you.

There is no proof that government subsidies will eliminate illegitimacy, or that public housing will generate a thirst for education, or that pay for loafing will empty the bars and spur the search for work. Nor is there proof that "demonstrations" which have degenerated into noisy mass invasions of neighborhoods will touch the heart or conscience of anyone who lives there.

The civil rights movement is moving in the direction of general disorder, impossible demands, and the progressive alienation of the Negro people from the rest of the Americans. It needs new leaders who ask: How else can ignorant and impoverished Negroes rise except by doing what ignorant and impoverished white men had to do?

DEPARTMENT OF DEFENSE ACTS TO CORRECT DEFICIENCIES CALLED TO ITS ATTENTION BY SUBCOMMITTEE ON FOREIGN EXPENDITURES OF GOVERNMENT OPERATIONS COMMITTEE

Mr. GRUENING. Mr. President, the Subcommittee on Foreign Expenditures, of which I am chairman, undertook a study of the surplus property disposal program of the Department of Defense last spring at the direction of Senator JOHN L. MCCLELLAN, chairman of the Government Operations Committee. Hearings were held in May 1966 on the overseas disposal activities of the military services.

The hearings disclosed that much useful equipment was being disposed of by

the military services at a time when there was a need for these items in Vietnam and elsewhere. Last month I visited a number of military facilities and other sites in Europe to find out what action the Department of Defense had taken as a result of the May hearings. I am pleased to report that the Department has begun to move to correct the deficiencies disclosed by the study and in the course of the hearings. Effective implementation of the changes in disposal policies which have now been issued will result in saving the Government millions of dollars through better utilization of equipment needed by our combat forces.

My trip to Europe disclosed a number of additional areas where substantial savings can be achieved if the Department of Defense takes prompt action. I have written to the Secretary of Defense on these matters and ask unanimous consent for the inclusion in the CONGRESSIONAL RECORD of my letter to Secretary McNamara.

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

AUGUST 19, 1966.

HON. ROBERT S. MCNAMARA,
Secretary of Defense,
The Pentagon,
Washington, D.C.

DEAR MR. SECRETARY: Together with members of the staff of the Government Operations Subcommittee on Foreign Aid Expenditures, I recently visited a number of United States military facilities in Germany, France and Spain. One of the purposes of the visit was to follow up on the excess and surplus property programs of the Department of Defense overseas with particular regard to those matters which were the subject of the Subcommittee's investigation last spring and on which hearings were held in May, 1966.

It is a pleasure to me, as I know it will be to you, that I can report to you some of the improvements in DOD performance observed during this visit.

I am also taking this opportunity to call your attention to some additional areas in which the need for improved management of surplus property disposal activities is evident.

It is apparent, on the basis of the facts obtained during my visit to Europe, that the Department of Defense and the Department of the Army, as a result of our hearings, are now taking aggressive action to correct many of the deficiencies disclosed by the Subcommittee. This will result in saving the Government millions of dollars. Actions which have already been initiated will, if effectively pursued, result in the retention of large quantities of valuable equipment needed by our military forces which would have been disposed of under the improper practices brought to light by our hearings. Such retention and further utilization within the Department of Defense will be reflected in reduced expenditures for new procurement and will result in placing good, usuable equipment in the hands of our troops earlier than is likely to occur if they had to wait for replacements to come off the production line.

The enhancement of combat capabilities of our forces through improved materiel readiness and the large savings in expenditures of appropriated funds for new procurement which will result from the retention and continued utilization of equipment which otherwise would have been disposed of, are only two of the benefits which can be anticipated from the actions now started by the Department of Defense. The prompt action to correct deficiencies in management disclosed during the Subcommittee hearings indicate a most gratifying recognition by the Department of Defense that not all efforts of Congressional committees need be resisted and that such efforts can product valid, useful and important recommendations which the Department can accept to improve its overall management.

Of greater importance, however, is the fact that the actions taken by the Department since the May, 1966 hearings represent a much-needed extension of management control by the Office of the Secretary of Defense into the disposal practices of the individual military services. The lack of uniformity among the services as to when and under what conditions equipment is to be disposed of was one of the principal facts developed in the Subcommittee hearings. The studies now under way in your office to provide for uniform policies and procedures in this important area initiated since the May, 1966 hearings, will, when completed and effectively implemented, remedy a serious gap in management control by you, as Secretary of Defense, over disposal policies and practices of the military departments.

The following summary represents several of the more important findings developed in the Subcommittee hearings and the actions which I observed being taken on these matters during my visit to Europe.

UNREALISTIC COST FACTORS

A key decision required of the military services involves the determination of whether to retain or to dispose of a major item of equipment in the military supply system. These decisions are particularly important in the case of support equipment such as vehicles, electric generators and a wide range of construction equipment. Procedures have been established to determine the economic reparability of such items at the time repairs are required. If estimates of repair costs show that it is no longer economical to retain the equipment, it will be disposed of. However, if such estimates are overstated, through error or design, useful and needed equipment will be disposed of long before such disposal is necessary.

The Subcommittee hearings developed the fact that a widespread practice existed within the military services to use unrealistic and arbitrary cost factors in determining the estimates of repair costs and that, as a result, equipment was determined to be uneconomically reparable when in fact it could have been repaired at relatively modest cost. For example, estimates of repair costs included the cost of transporting the equipment from overseas locations to the United States for repairs and the inclusion of transportation costs in estimating repair costs was totally unwarranted.

To a very large extent unrealistically high labor rates were being used in making estimates of repair costs. Thus in Korea estimates of repair costs involved the use of a $5 an hour labor rate when Korean mechanics were actually paid about 24¢ per hour. The $5 an hour labor rate was used in Japan, Okinawa and throughout Europe even though actual labor costs were far below this amount in all of these places.

The Department of the Army has now issued instructions to correct this situation. Subsequent to the Subcommittee's hearings the following directive was issued and made applicable to all overseas commands:

"Subject: Repair Expenditure Criteria.

"Pending Revision of AR58–1, AR750–520 and AR750–3900–1 the following guidance for computing the cost of repair of support equipment (commercial vehicles, engineering equipment and materiels handling equipment) at locations outside of CONUS (continental United States) is established effective on receipt of this message.

"A. If repair is required, and a capability to repair is available locally, the local shop or contract rate per man-hour (including indirect charges) will be used for computing the repair cost estimate.

"B. For all items to be reported to the National Inventory Control Point (NICP), where a local capability to repair exists, the local rate (including indirect charges) will be used in the report.

"C. If no local capability to repair exists, the U.S. rate as specified in appropriate DA (Department of the Army) instructions will be used in computing the repair cost estimate and so reported when a report is required. This is the only instance in which the cost of transportation to the U.S. will be included in the estimate."

During my visit to Europe, Subcommittee staff obtained information at the Headquarters, United States Army, Europe, which shows that this command is now facing up to the problem of unrealistic cost factors and has begun to recognize the importance of this subject. This is indicated by the following excerpts from a paper prepared by the command for the Subcommittee:

"A most important factor in policy to assure full utilization of available materiel in support of world-wide requirements (reference message DA 767348, 28 May 1966) lies in the expenditure limitations for repair of materiel and the rate of labor charges utilized in making estimates of repair at the initial inspection of the equipment to decide its disposition.

"There are numerous Army Regulations outlining repair expenditure limits. AR 742–2300–1 is an example and applies to Tactical Wheeled Vehicles. These same regulations prescribe policy on computing costs used in estimating repair charges. In general, there are separate regulations for a category of materiel, i.e., Tactical Vehicles, Engineer items, Signal equipment, etc.

"The policies stated in USAREUR as to the rate used in estimating repair costs have not been uniform. In the case of Tactical Wheeled Vehicles, the Army Regulation has been implemented by an Ordnance Corps Technical Instruction in 1962 which prescribes the use of $5.00 per man-hour. The Army regulation actually requires the actual labor rate including overhead to be used if known or $5.00 per man-hour if not. The lack of a uniform definition of overhead is USAREUR plus an extremely variable rate structure from installation to installation has created a problem in cost estimating and has promoted the use of a *uniform* rate of $5.00 throughout USAREUR.

"Obviously the rate used in cost estimating can result in early washout of the equipment or in prolonging its life.

"USAREUR has been studying this situation for the past 6 weeks and has initiated a study of the labor rate cost structure to try to develop a uniform system of development of overhead and to eventually strive for a uniformity in prescribing this rate structure throughout the theater. The Comptroller Division at the request of Materiel Readiness has moved out on this study.

"DA has directed in its message DA 771342, 28 June 1966 that actual rates be utilized for cost estimating for commercial vehicles, engineer equipment, and materiels handling equipment.

"USAREUR has requested DA in message 33432, 5 July 1966 to allow a 90-day extension in order that we may more accurately prescribe a uniform rate structure as a result of the above mentioned study."

DISPOSAL OF EQUIPMENT OVERSEAS WITHOUT SCREENING AGAINST REQUIREMENTS ELSEWHERE

The Subcommittee's hearings in May, 1966 disclosed that over 1000 major items of equipment such as cranes, tractors and electric generators had been disposed of by the military services in Europe without first reporting such items to the inventory control points in the United States. This precluded

the screening of such items against existing requirements of other commands in the United States and in Vietnam, and precluded the retention and continued use of such items to meet critical shortages. Further, on March 29, 1966 an Army regulation was issued which authorized the disposal of major items of equipment by local commanders overseas without first reporting such items to the National Inventory Control Points for screening against other valid requirements. The adverse effect of the regulation was discussed in the May, 1966 hearings of the Subcommittee and Department of Defense witnesses, agreed to restudy the directives.

Specific instructions have now been issued by the Army to change this policy.

The instructions state that:

". . . all principle items, regardless of acquisition cost, age or condition, will be reported for disposition instructions through supply channels to the Army NICP (National Inventory Control Point) . . . Principle items will not be turned into the PDO (Property Disposal Office) until authorized by the Army NICP."

The Army has also moved to screen those major items of equipment still being held in Army depots in Europe awaiting disposition which had not been previously reported to the Army's National Inventory Control Points. Data obtained at Headquarters, Communications Zone, United States Army, Europe, by the Subcommittee staff showed that this screening had resulted in the retention of considerable quantities of equipment which others would have been disposed of. Considerable savings will come from this action as the screening continues.

DISPOSAL OF EQUIPMENT BECAUSE OF AGE, REGARDLESS OF USAGE OR CONDITION

A major criticism during the May, 1966 hearings involved the automatic disposal by the military services of equipment even though it had received little use and was in good condition. Criteria established by the military services sharply limited the repair costs which could be incurred to maintain equipment as such equipment became older regardless of how much usage the equipment had received.

For example, dollar limits had been established for vehicles, construction equipment electric generators and other types of equipment based on the age of the equipment. If repair costs were estimated to exceed these limits, the equipment was disposed of regardless of usage or condition. Large quantities of good and usable equipment with relatively little usage had been disposed of because of strict adherence to this policy.

The Army's new instructions correct this situation by providing that:

"In determining the disposition to be made of principal items reported as uneconomically reparable, NICP's (National Inventory Control Points) will specifically consider the age and condition of the equipment and the cost factors used in arriving at repair costs. Prior to authorizing disposal of items, NICP's will insure that such action is in the best interest of the Government in consideration of overall economy, current or anticipated future world-wide requirements for like or similar items, asset position, technological changes, repair parts supply and other pertinent factors."

I consider these instructions to be a major step in the direction of conserving and utilizing useful equipment in the military service inventories, provided it is effectively implemented. Adherence to these instructions should prevent the disposal of equipment soley because a newer model with little or no technological improvement has been developed, because the equipment has reached a set age regardless of use or condition, or because unrealistic cost factors, used in determining that the equipment was uneconomically reparable, were accepted at face value.

The objectives of the Subcommittee investigation will have been substantially met if these instructions are effectively carried out. The Subcommittee plants on conducting additional visits and inspections in the near future to ascertain whether these new policy guidelines are being carried out in an effective manner.

NEED TO SCREEN MILITARY SURPLUS STOCKS ACQUIRED BY THE AGENCY FOR INTERNATIONAL DEVELOPMENT

During the visit to AID repair facilities in Europe and the Far East in the latter part of 1965 and in March, 1966 I became convinced that that Agency had obtained a great deal of good equipment from military excess and surplus stocks for repair and shipment to foreign governments under the economic assistance program which the military services should not have disposed of but which should have been retained and utilized to fill critical shortages in Vietnam and elsewhere. On returning from my trip to the Far East in March, 1966 and after obtaining specific data on the shortages of equipment by our combat forces in Vietnam, I sent you a message suggesting that you screen the large inventory of AID-acquired surplus equipment against the needs of the military services and reacquire such items as were currently in short supply.

Information obtained from AID's Excess Property Office in Europe by the Subcommittee staff disclosed that about $500,000 of equipment had been identified as being needed and was in the process of being returned to military inventories.

IMPROVEMENT IN MANAGEMENT OF PROPERTY DISPOSALS IN OTHER AREAS REQUIRED

The visit to military facilities in Europe by Subcommittee staff disclosed several additional matters in which substantial savings can be realized if prompt action is taken.

1. A visit to a number of Army facilities disclosed that there exists a widespread practice of "cannibalization" of major end items before such items are disposed of which involves stripping parts and components from such end items. This is done to obtain needed parts to repair the items that are being retained by the military services.

We found, for example, that M-series vehicles had been stripped of engines, transmissions, carburetors and other major components. The remaining shells had little value when offered for sale and were entirely inadequate for acquisition by the Agency for International Development to meet the needs of countries receiving economic assistance. Discussions with responsible officials at Headquarters, Communications Zone, U.S. Army, Europe and data obtained from these officials disclosed that such cannibalization had not been authorized. Lists of parts authorized for cannibalization for M-series vehicles had been established but these did not include the types of major components referred to above.

Further, discussions with Air Force officials responsible for redistribution and marketing activities in Europe, which include the responsibility for disposal of all Army excess property except that in France, revealed that at the same time that cannibalized vehicles were turned over to them for disposal by the Army, substantial quantities of the same parts and components were also turned in for disposal as had been stripped from the cannibalized vehicles.

These Air Force officials furnished, at our request, numerous examples of vehicle shells turned in for disposal, at the same time the parts were also disposed of. I recognize that stripping a vehicle to be disposed of to obtain parts to repair equipment that will be returned to service is an approved and economical procedure especially where insufficient repair parts are available from stocks on hand. I cannot understand, however, why the Army's supply management controls in Europe permit this stripping of equipment parts at the same time as the parts are being disposed of in separate lots as surplus. The data compiled by Air Force officials are enclosed for your use in investigating this matter.

2. Discussions with the Commander, Naval Forces, Spain, and with the Commanding Officer, Naval Station, Rota, Spain, disclosed a need by the Navy for the items which the Agency for International Development had acquired from military excess stocks and had repaired for shipment to countries under the economic assistance program. For example, we noted a substantial construction program under way at Rota in which a private contractor was utilizing his own construction equipment while similar equipment was on hand ready in the AID holding area in Rota. Navy officials agreed that such equipment, if it was made available to them, could be turned over to the construction contractor as Government-furnished equipment with commensurate reductions in contract costs. The Navy officials pointed out other instances in which AID-held equipment could be utilized. These officials advised us, however, that under existing policies they could not obtain needed equipment from AID inventories even though such equipment had been acquired by AID from military excesses.

I am not entirely clear as to why this situation eixsts.

The Navy officials with whom we discussed this matter agreed that they received lists of excess property from other military services in Europe before such excesses were disposed of and could acquire it before AID did. Apparently they were reluctant to do so because they did not have the capability to send qualified personnel to the sites in Europe where the excesses were being held to inspect the equipment, to determine whether it was economically repairable and to arrange for the shipment to Navy facilities where it could be repaired and put into service. AID has established such capability in both Europe and the Far East, and, as you know, have been acquiring very large quantities of military excesses which it has had repaired overseas.

I can readily imagine that many military commanders perusing lists of excess property would be reluctant to acquire such property even if it were needed because of their inability to establish whether it is economical to repair the items, their lack of repair capability and the general tendency to requisition new replacement items. I hesitate, however, to make any firm recommendations for a solution to this problem without further study.

You many want to consider as an interim measure, however, initiating discussions with AID leading to arrangements whereby the Department of Defense could obtain, as a routine matter, lists of equipment AID has acquired from military surplus stocks and which it has repaired, before it ships the equipment to foreign governments. These lists could be circulated to the subordinate commands in each theater and needed items could be reacquired from AID stocks.

On a more long-range basis there is an apparent need for strengthening the redistribution and marketing functions in Europe, and perhaps elsewhere, to provide for the centralized screening of excess items for need *and* to determine whether such items are economically reparable. If such function could be combined with the capability to undertake repairs on usable and needed equipment, it is likely that very large quantities of excess equipment now being disposed of would be retained for further use by the military services.

In this connection, you may want to consider the need in the Department of Defense for an organization similar to that which AID has established. AID's Excess Property Office is doing a very effective job in acquiring military excess equipment and repairing it at very moderate costs. A Department of Defense agency in each of the overseas commands might well be able to effect the utilization through appropriate screening and inspection techniques and through repair capability of items of equipment which are now being disposed of which individual military commanders need but which they are new reluctant to acquire.

3. As you know, my primary focus has been to point out opportunities for greater utilization of useful property by the Department of Defense. Of equal concern to me is the need of State health, education and civil defense agencies for the kind of property which the Department of Defense inevitably finds excess to its needs. In this respect I am concerned that AID's rapidly-growing program for acquiring military surpluses will cause further serious inroads in the quantities available to State agencies. The hundreds of letters I have received indicate a great need for the type of equipment and supplies which are surplus to the Department of Defense. I am of the firm conviction that the economic aid program to foreign governments should not benefit through the acquisition of valuable surplus property at the expense of local agencies and institutions in our own country.

I would like you to consider, therefore, the return to the United States of property considered excess in an overseas theater to the maximum extent possible so that the needy State agencies might have a fair chance of acquiring any items not required by the Department of Defense. This might prove to be especially feasible where ships carrying supplies to our forces overseas are returning with empty or partially empty bottoms.

I would appreciate your comments on the foregoing matters after you have had time to study them.

With best wishes, I am,

Cordially yours,

Senator ERNEST GRUENING,
Chairman.

POPULATION, RESOURCES, AND TECHNOLOGY

Mr. McGOVERN. Mr. President, one of the Nation's most distinguished scholars, Dr. Harrison Brown, recently addressed the American Institute of Psychological Sciences at College Park, Md., on the theme "Population, Resources, and Technology."

Speaking on August 15, 1966, Dr. Brown said:

Today, when we view the growth of world population in relation to what mankind is doing about the situation . . . catastrophe appears a near-certainty. We are faced by the fact that in large regions of the world gains in food production are being more than eaten up by increased population with the result that we are now experiencing actual reductions in per capita food production in many nations in which most people are already hungry.

Mr. President, I ask unanimous consent that Dr. Brown's thoughtful statement be printed at this point in the RECORD.

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

POPULATION, RESOURCES, AND TECHNOLOGY

(By Harrison Brown)

(Prepared remarks for the plenary symposium "Human Population Growth and the Quality of Life" presented at the annual meeting of the American Institute of Biological Sciences, College Park, Md., Aug. 15, 1966)

In 1954 the United Nations estimated that by 1980 the population of the world would lie between 3.3 and 4.0 billion persons and it gave 3.6 billion as the most likely figure. By 1965 the population had already reached 3.3 billion and the United Nations demographers were estimating that the 1980 world population would lie between 4.1 and 4.5 billion, with a medium of 4.3 billion. Thus, in the span of but a decade the estimate for the most likely population in 1980 was moved upward by about 20 percent.

This substantial change in estimate resulted directly from the fact that the world rate of population increase has itself increased to levels considerably higher than were deemed plausible in the early 1950's. During the last half-century the rate of population increase has more than doubled, moving from somewhat less than one percent per year to 2.1 percent per year today. It is quite conceivable that the rate of increase might grow eventually to about three percent per year, corresponding to a doubling of world population every 23 years.

Today the population of human beings is somewhat over 3.3 billion persons. Projections made on the basis of plausible extrapolations of the rate of population increase indicate that world population might well grow to about 7½ billion by the turn of the next century only 34 years from now.

In 1950 many students of the population-resource situation concluded that a major world catastrophe was in the making. *Today when we view the growth of world population in relation to what mankind is doing about the situation, that catastrophe appears a near-certainty.* We are faced by the fact that in large regions of the world gains in food production are being more than eaten up by increased population with the result that we are now experiencing actual reductions in *per capita* food production in many nations in which most people are already hungry. Further, with respect to other aspects of economic development, increased rates of economic growth are being in substantial part wiped out by increased rates of population growth.

Time does not permit our going into the reasons for these ominous changes in any detail today. Instead, I would like to confine my remarks to a brief statement concerning steps the more economically well-off nations might take in the all-too-short time that is still available. I feel justified in doing so for what we do or don't do in this regard is certainly bound to have profound effect upon the quality of human life.

Clearly an improvement in the situation would result were we to decrease the rate of population growth. Equally clearly an improved situation would result were we to increase the rate of economic development, including food production. What many of us have failed to appreciate fully, however, is that these two factors are strongly coupled. We have thought so much in terms of the potential magic that could be wrought by the "perfect contraceptive" that we have failed to appreciate that, in the absence of a greatly improved economic situation in the poorer regions of the world, it is doubtful that even the most perfect contraceptive imaginable would have a truly major effect. Oversimplified, Indian families must have some reasonable assurance of security in old age before they are likely to use a contraceptive, no matter how perfect it might be from the point of view of cost and convenience.

I hope that I am not misunderstood concerning this point. I believe that accelerated research on human fertility is essential. We need better contraceptive techniques and we need to understand far better than we do now the cultural problems involved in the individual decisions to limit family size. Almost all of us applaud the recent relaxation within our own government and others which permits greater freedom in discussing contraceptive techniques, in carrying out educational programs concerning birth control and in helping with the establishment of population policies. This change of attitude has been terribly important. I simply wish to underscore the fact that while all of this is necessary it is by no means sufficient. We cannot look upon contraception as a panacea which, if only the churches and the politicians approve, will enable us quickly and inexpensively to improve the world's lot. To repeat, techniques of birth control can help enormously, but only if coupled with sustained economic development at a rate which is considerably greater than that which the poorer nations of the world are experiencing today.

Economic development can be likened to a vast fabric of interwoven threads of different kinds all of which are necessary yet none of which by itself is sufficient. To mention but a few of the more obvious components, economic development involves the evaluation and development of land and mineral resources, the construction and operation of power plants and factories, the improvement and expansion of farming, the development of transportation and communications systems, the construction of housing, the development of systems of education, as well as the elimination of certain political, social and cultural institutions, the modification of others and the introduction of still others.

Here, as in the case of birth control, we must beware of the "quick fix", the gimmick, the magic solution. Too often we have looked to land reform or to increased fertilizer production or to the desalting of water as being "cure-alls" for agricultural illnesses. Similarly it does little good to educate people unless their talents can be put to use; nor is it useful to build complex factories unless there are adequately trained persons available to operate them. Briefly, the economic development of the poorer nations requires massive, sustained and balanced efforts over a broad front. Unfortunately the efforts thus far have not been massive enough, nor have they been sustained, nor have they been adequately balanced.

It is absolutely clear that the poorer nations cannot, without help, extricate themselves from the vicious circle in which they now find themselves. That help must come predominantly from the industrial countries of Western Europe, North America and the western Pacific which, with less than one-fifth of the world's population produce and consume more than one-half the world's product. At present, aid from these nations remains at about $6 billion a year.

George D. Woods, President of the World Bank estimates that about $3 to $4 billion more of development finance could be effectively used by the developing countries at the present time. As time goes by considerably more even than this could be absorbed. He stresses that the capacity of the industrial nations to provide aid also is rising and points out that the national income in these areas is increasing at the rate of $40 to $50 billion a year.

We are faced, however, by the sad fact that for the past five years aid contributions from these countries have remained static. Indeed, as a proportion of their incomes, aid contributions have decreased from 0.8 percent to 0.6 percent.

The amount of assistance the industrial countries are providing for the developing countries is far indeed from being commensurate with the magnitude of the crisis which confronts us. In the case of the United States a part of the inadequacy of our own contribution stems from a failure on the part of our Congress to fully recognize the seriousness of the situation and take appropriate action to place the tactics and strategy of aid on as sound and continuing a basis as our defense organization. Most of us would agree that it would be far easier to use economic and technical aid to prevent new crises than to wait until crises appear and then resort to military force.

Certainly a nation which can afford to spend $50 billion annually for defense and $5 billion annually for space and which has a rapidly rising *per capita* income ought not shrink from thinking in terms of U.S. aid expenditures which are two, three, five or even ten times greater than our present expenditure of about $3 billion annually. Nor should we look upon such massive injections of aid overseas as gifts. Quite apart from the effects of such investments on economic growth overseas, were they properly handled they could also have an accelerating effect upon our own economy. The production of electrical generators, steel plants and farm machinery for shipment overseas could keep our own people employed much as the production of military equipment does at the present time.

If aid programs are to be successful we must appreciate the need for continuity and we must appreciate the time-scale involved. The economies of the poorer countries cannot be brought up to reasonable levels overnight. The changing of cultural and political patterns requires a great deal of time. Indeed, in our planning it is essential that we think in terms of 10, 25 and even 50 years.

Today in the face of Congressional attitudes, programs are started, then often stopped without being given a reasonable chance. Personnel turnover is rapid. It is extremely difficult to maintain any real continuity either of programs or people. More than in any area of government activity with which I am familiar, the attitudes of Congress inhibit the initiation of imaginative and creative programs. Equally important, it is difficult to plan ahead on a time-scale appreciably longer than the magical two-year Congressional cycle. There are so many pressures in the direction of making a good showing within a short time, our aid efforts have tended to emphasize short-term projects at the expense of long-term efforts. As a result, our over-all showing during the last two decades has been remarkably poor, particularly when compared with the need. I often feel that if we had taken at least a twenty-year view of the problem when we first started our assistance efforts abroad, they would now be much further ahead than they actually are.

The problem of adequate balance in our aid efforts is equally critical. A banker tends to think in banker's terms; an agriculturalist tends to think in terms of agriculture; an educator tends to think in terms of education. As a result of the tugging and hauling, our aid programs in some countries are often analogous to the proverbial horse which was designed by a committee and which turned out to be a giraffe.

Here I would like to stress that our Agency for International Development is itself far less to blame for these troubles than is our Congress. I know many dedicated selfless men in the organization who work day and night trying to keep essential programs going and to make sense of a situation the magnitude of which dulls the senses. But the organization and its predecessors have been beaten, trampled upon and derided to such an extent over the years, I sometimes wonder that it is able to function at all. Indeed, I find it little short of amazing that it is still able to carry out meaningful programs.

Economic development can be effectively blocked at any one of numerous points by failure to fully anticipate needs. The economy of a given nation might improve with breath taking speed, only to be halted by a lack of trained manpower able to assume supervisorial positions.

Agricultural production might increase at a satisfactory rate, only to be halted by lack of adequate agricultural research. We must always be on the lookout for the missing nail which might lead to our losing the shoe, the horse, the king and eventually the war.

I would now like to take advantage of being with a group of fellow-scientists to draw attention to one of the "nails" which has been almost completely absent from most country development programs. This missing nail is the development of adequate indigenous scientific-technological competence.

As a nation develops economically it is certain to be faced by a multiplicity of problems of a technical nature which are peculiar to that country. If those problems are to be solved, the nation must have available its own group of applied scientists, its own facilities for research and development and administrative organizations which will enable industry and government to mobilize research efforts effectively. This "problem-solving competence" must be backed by competent scientific and engineering staffs in the universities and by a research tradition and a scientific attitude. It must also be backed by an appreciation within the government itself of the need to support and nurture scientific activity.

Unfortunately, the need for this "problem-solving competence" is often completely ignored—it being more or less tacitly assumed that technology can be transferred intact and that should problems arise they can be solved in Europe or in the United States. Yet it would appear obvious that the technical problems of developing the Amazon basin must of necessity be solved in Brazil; they certainly can't be solved in Iowa.

Finally I would like to stress that the economic development of the poorer nations will place a tremendous drain upon the earth's available resources. We have seen that by the year 2000 the population of the world might well grow to 7½ billion persons, about 6 billion of whom will be living in the presently underdeveloped nations of the world. If by some miracle all these persons were to be brought up to the level of living now enjoyed by the people of the United States we would need to extract from the earth over 50 billion tons of iron, one billion tons of copper, an equal amount of lead, over 600 million tons of zinc and nearly 100 million tons of tin in addition to huge quantities of other substances. These quantities are several hundred times the present world annual rates of production. Their extraction would virtually deplete the earth of all high-grade mineral resources and would necessitate our living off the leanest of earth substances: the waters of the sea and ordinary rock.

Although depletion of the earth's buried high-grade resources should be a matter of serious concern to us all, it is by no means an immediate threat nor is it an insurmountable problem. Given the necessary technology, which I am convinced can be developed, the earth has ample resources to enable persons the world over to lead abundant lives, even were the population to grow eventually to a considerably higher level than that now anticipated in the year 2000. In principle we can feed, cloth and support a population of, say, 10 billion persons, at a reasonably high level of consumption for an indefinitely long period of time.

Our basic problem, really, is not that of supporting comfortably the distressingly large numbers of people who we now know will inevitably inhabit the earth in the decades ahead. I am convinced that technically this can be done. Our basic problem is that of getting from here to there successfully with a minimum of chaos and human suffering. We are called upon to make the most difficult transition the community of man has yet been called upon to make—that of bringing birth rates in balance with rapidly lowering death rates on a world-wide scale. At the same time we are called upon to rapidly improve the economic well-being of the world's people. Although this transition is feasible from a technological point of view, it might well turn out to be impossible politically.

Here indeed is the great potential tragedy of our age! Our science and our technology have given us the power to create a world in which virtually all people can lead free and abundant lives. We have the power to create a civilization as yet undreamed of in its beauty and its accomplishments. Yet somehow we can't seem to organize ourselves to use that power effectively to solve mankind's basic problems.

Will future generations point to ours as that which made possible the realization of this higher level of human culture? Or will they point to ours as the generation which failed humanity at the most critical period of its history?

I fear that there is no middle ground.

THE NUMBERS GAME—CONTINUED

Mr. HRUSKA. Mr. President, the other day in some rather whimsical remarks about how numbers are coming to dominate our lives, I sought to illustrate my point—among other ways—by saying that even mailing a letter to a boy in Vietnam required numbers for his organization, his APO and his ZIP code.

I have been told by the Post Office Department that this is in error. According to Post Office Services Publication TL-167, 10-1-65, issue 895 and Department of the Army Circular 65-1, and in compliance with paragraph 26, AR 65-75, I am pleased to correct the record to show that one does not need both an APO number and a ZIP code number.

The above cited Army circular provides under the title "Concept," that:

> The concept incorporates the Zip Code system and the present APO numbering system into a single, integrated five-digit ZIP-APO number code. This is desirable in that APO mail so addressed will then meet the requirements for electronic sorting by optical scanners.

This information appears in a publication known as TAGO 379-A—September 750-467-64.

I am indebted to Mr. W. M. McMillan, Assistant Postmaster General for the Bureau of Operations—ZIP code 20260—for calling this to my attention.

DRUM AND BUGLE CORPS STRESS YOUTHFUL DISCIPLINE

Mr. PROXMIRE. Mr. President, over 1 million Americans participate in drum and bugle corps activities. More than 100,000 youngsters spend several hours a week rehearsing in order to arrive at the polished efficiency for which they are so justly famed. These activities not only provide a healthy and worthwhile pastime for many youngsters but they help

to enliven many, many parades throughout all parts of the country.

In 1964 I was happy to introduce a joint congressional resolution which set aside the last week of August to commemorate the fine work being done by drum and bugle corps. Once again we are celebrating National Drum and Bugle Corps Week. I am delighted to note that Wisconsin has amply contributed to the success of this pastime. The Lake Band of Cudahy, Wis., is coming to Washington to participate in the national march band championship title which it won last year in Portland, Oreg. This week the American Legion is holding its annual competition and many Wisconsin groups will be represented—among them, the Racine Explorers, the Boys of '76, the Imperials of St. Patrick's, and the Madison Explorer Scouts. I wish all of these youngsters the best of luck in the contest.

Few people can resist a parade. Like the Pied Piper of Hamlin, drum and bugle corps in every State continue to draw ever larger crowds of youngsters and oldsters alike. I would like to commend the participants and group leaders of the various drum and bugle corps, especially for the wholesomeness of the discipline and patriotism they instill in an increasing number of our young people.

HAWAII'S PARTICIPATION IN 11TH PACIFIC SCIENCE CONGRESS

Mr. FONG. Mr. President, 7 years ago this week, President Eisenhower proclaimed Hawaii the 50th State of the Union. With each passing year, Hawaii as a full-fledged State has realized more of the anticipated advantages of statehood—advantages not only for herself but for our Nation and for her place in the vast Pacific basin where one-half of the world's population live.

Among her many contributions in the political, commercial, cultural, and educational fields, Hawaii points with pride to her role as a community which has developed and attracted a sizable number of able and eminent scientists. This fact is underscored this week at the 11th Pacific Science Congress in Toyko where 6,000 delegates from more than 53 countries and areas in the Americas, Asia, Europe and the Pacific are convened.

Hawaii's contingent of 330 scientists and their families is reported to be the largest contingent from one community to be represented at the Congress. Scientists from Hawaii will take a leading role in the program and present a considerable number of papers.

A leading figure at the Congress is Dr. Roland W. Force, director of the Bishop Museum in Honolulu and a member of the Pacific Science Council, the executive body of the Pacific Science Association which conducts the Congresses.

In order to call attention to the Congress now in session in Tokyo and to note Hawaii's major participation in it, I ask unanimous consent to have printed in the RECORD two articles which appeared in the Honolulu Star-Bulletin of August 18, 1966, and another article in the Honolulu Advertiser of August 19, 1966.

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

[From the Honolulu Advertiser, Aug. 19, 1966]

HAWAII SCIENTISTS WILL TAKE PART IN TOKYO SCIENCE CONGRESS

(By James Cunningham)

Island scientists, armed with fresh findings on subjects ranging from Okinawan history to the thickness of the Earth's crust under Hawaii, departed yesterday for Tokyo.

They are Hawaiian Academy of Sciences members who will present papers at the 11th Pacific Science Congress scheduled to open Monday in Tokyo.

Headed by Dr. Louis G. Nickell, president of the academy, and Dr. Roland W. Force, director of the Bishop Museum and member of the 15-man Pacific Science Council, a party of 144 scientists and their families boarded a chartered jetliner for the trans-Pacific flight at 6:30 p.m.

They were preceded by an advance group of 64 on Monday and will be followed tomorrow by another charter flight with 130 aboard.

They will both preside over and participate in the symposiums to be held for two weeks on the campus of the University of Tokyo. Although most of their papers are not yet in final form, here is a sampling of what they will talk about:

Dr. Shunzo Sakamaki, a UH professor of history for 30 years, will document a case for believing that the first dynasty in Okinawa was founded in 1185 by a major military group from Japan, after its defeat at the battle of Dannoura.

"I believe that I can prove that the people of the Ryukyus are much closer to the mainstream of Japanese history than many people think," Sakamaki said.

Nickell said he would preside over a symposium which would deal with such challenging subjects as the production of anti-cancer plants through tissue culture—a system several hundred times faster than by cultivation.

Dr. Gaylord R. Miller, a UH oceanographer, said he would review the progress made in tidal wave research by a group on the Manoa campus. The project is financed by the Environmental Science Services Administration.

Dr. E. Alison Kay said she would present evidence to how insular shellfish life is in Hawaii.

Dr. Doak C. Cox, a UH geologist, said he would report that the U.S. has greatly improved its tidal wave warning system since the last Pacific Science Congress in Honolulu in 1961.

UH Oceanographer Vernon E. Brock said he would share the fruits of investigations made in Island waters last year from inside a research submarine.

"We found a relationship between the occurrence of fish and the topography of the ocean bottom," he said. "At night, the fish tended to come up toward the surface and drift towards shore. When they tried to go down in the daytime they would hit bottom and accumulate."

Force said he would deliver a discourse on "the anatomy of a museum." Also, he said, he hopes in Tokyo to establish a Pacific Associations of Museums to serve as a medium of communications among such institutions.

Dr. Samuel A. Sher, a nematologist now at the University of California, said he would participate in discussions of worms with top Japanese scientists in the field.

Sher became a member of the academy when here investigating vanda orchid diseases in 1952.

UH soil physiologist Dr. Paul C. Ekern said he would outline findings as to why it takes only one tenth as much water to grow pineapple as it does sugar cane.

Robert L. Charnell, a former member of the Bureau of Commercial Fisheries here, said he would talk about workings of the currents and dynamics of the North Pacific Ocean.

Dr. Richard S. Fiske of the Hawaii Volcano Observatory said his paper would compare submarine rock found off the U.S. with similar well-preserved formations in Japanese waters.

David P. Hill, a fellow observatory seismologist, said he would show that the Earth's crust under the Big Island is not much thicker than it is under the open ocean.

Dr. George P. Woollard, director of the UH Institute of Geophysics, said he would read four papers, including one about geophysical reasons why New Guinea tends to pull satellites out of orbit.

[From the Honolulu Star-Bulletin, Aug. 18, 1966]

THREE HUNDRED AND THIRTY ISLANDERS TO ATTEND SCIENCE CONGRESS IN TOKYO

(By Helen Altonn)

Hawaii's preeminent scientific role in the Pacific will be reflected at a conference of more than 6,000 delegates opening Monday in Japan.

Over 53 countries and areas in the Americas, Asia, Europe and the Pacific will attend the 11th Pacific Science Congress.

It will be the largest event in the history of the congresses, which originated in Honolulu in 1920.

Hawaii was host to the 10th gathering attended by 3,500 persons in 1961—and is expected to have the biggest contingent at the coming sessions.

About 330 scientists and family members are leaving here this week for Tokyo.

Japan Air Lines has provided an extremely favorable rate of $295 for the round trip—about half the normal fare—on two charter flights.

The flights were organized by the Hawaiian Academy of Sciences for its members and their families.

One leaves today with 144 persons and another departs Sunday with 130 passengers. A group of 64 left Monday.

Dr. Roland W. Force, director of the Bishop Museum, heads the list of official delegates from Hawaii as a member of the Pacific Science Council.

The 15-member council is the executive body of the Pacific Science Association which conducts the congresses as its major activity.

Council members represent institutions in Australia, Canada, France, Indonesia, Japan, New Zealand, the Philippines, Taiwan, Thailand, the United Kingdom and Viet Nam.

The Bishop Museum and National Academy of Sciences appoint members for the United States.

The Pacific Science Association maintains its permanent Secretariat at the Bishop Museum.

Hawaii will have five official delegates at the Congress in addition to Dr. Force. They represent the breadth of public and private research in the community.

They are:

Dr. Robert W. Hiatt, University of Hawaii vice-president for academic affairs.

Dr. Robert L. Cushing, director of the Hawaiian Sugar Planters' Association Experiment Station.

Dr. Louis G. Nickell, president of the Hawaiian Academy of Sciences.

Dr. Y. Baron Goto, East-West Center vice-chancellor, appointed by Governor John A. Burns to represent the State of Hawaii.

Dr. Cyril E. Pemberton, member of the Pacific Science Council from 1961 to 1966, and retired entomologist at the H.S.P.A. Experiment Station.

The following scientists will be delegates for the Bishop Museum as Hawaii's representative institution at the Congress:

Doak C. Cox, Windsor C. Cutting, E. Alison Kay, Richard K. C. Lee and George P. Woollard, all of the University of Hawaii; Dr. Yosihiko Sinoto of the museum, and John C. Marr, U.S. Bureau of Commercial Fisheries.

Crown Prince Akihito, patron of the assembly, will address the inaugural meeting of the congress Monday.

Prime Minister Eisaku Sato will serve as honorary president. Dr. Sin-itiro Tomonaga, president of the Science Council of Japan and a 1965 Nobel Prize winner for physics, is congress president.

Population problems in the Pacific region and air and water pollution are the two basic themes of the work sessions.

But the symposia will encompass the entire spectrum of scientific effort, including marine parks, primate biology of the Pacific, health and social research and conservation.

Hawaii scientists are presenting a considerable number of papers and will take a leading part in the program.

The meetings will be at the University of Tokyo's Hongo Campus for the first two weeks. Field trips and special symposia outside Tokyo are scheduled for the third week.

ISLES HAVE SPOTLIGHT IN SCIENCE CONGRESS

Three significant Pacific developments will emerge from the forthcoming Science Congress in Tokyo with Hawaii taking the lead.

This was disclosed by Dr. Roland Force in an interview preceding his departure for the meetings today.

Dr. Force directs the Bishop Museum and is a member of the Pacific Science Council, executive body of the sponsoring organization of the congress.

He said he anticipates these "extremely important" programs as an outgrowth of the Japan sessions:

1—A movement to co-ordinate the myriad scientific efforts in the insular Pacific and plan more co-operative work.

2—Formation of a Pacific and Asian Museums Association as a prelude to a training project for museums set to start in Honolulu in January.

3—Mapping of future Pacific archaeological explorations and research in prehistoric culture.

Dr. Force said he has been asked by the South Pacific Commission to head a special gathering to delve into the status of science in the insular Pacific region.

Needs, capabilities and plans will be assessed for all of Micronesia, Melanesia and Polynesia.

"The time is ripe for this," Dr. Force said, "and the atmosphere is proper at the Pacific Science Congress."

Regarding the museums association, he said, "We have none now. It is needed and we should take the leadership."

He said the Bishop Museum, Honolulu Academy of Arts and East-West Center are joining to train people from existing and planned museums in the Pacific and Asia.

The project is the result of 10 years' work, Dr. Force said.

Six trainees will be taken the first year, three of whom will be U.N.E.S.C.O. fellows, he said.

He said U.N.E.S.C.O. is providing partial support, equipment and specialists for the program.

Grants also will be offered to trainees through the East-West Center Institute for Technical Interchange.

Another area in which the museum will play a prominent part is plotting continued research to determine the origin and prehistoric life of Pacific man.

The museum was selected at the last congress, four years ago in Hawaii, to direct the far-flung archaeological investigation involving numerous institutions.

Commenting on the congress in general, Dr. Force pointed to the vast international representation.

"Science is the one area in the world where all nations are co-operating," he emphasized.

The Soviet Union will have a large delegation and may be asked to place a representative on the Pacific Science Council, Dr. Force said.

Discussion will be held pertaining to an increase in Council membership, he said.

The Congress has a three-fold purpose, he said: "To coordinate our efforts; to learn from each other and to plan for the future."

Among other highlights of interest to Hawaii delegates at the congress will be the presentation of the Herbert E. Gregory Medal.

THE BOMBINGS IN VIETNAM: IMMORAL, ILLEGAL, INDEFENSIBLE

Mr. GRUENING. Mr. President, the tragic and repeated bombings in Vietnam by American planes of innocent civilians, the destruction of their villages, the slaughter of helpless noncombatants—men, women, and children—from the air, which has gone on over and over again, is the subject of an editorial entitled: "Trigger Happy," appearing in the current—August 27—issue of the New Republic. This editorial does not include mention of the bombing by U.S. planes of one of our own Coast Guard cutters, with the killing on it of two of its crew, including the commanding officer, and the wounding of several others.

It is gratifying that General Westmoreland has given orders to try to prevent these inexcusable and cruel mishaps. But it might be pointed out that our entire bombing over there, in my view, is an atrocity, is totally immoral, illegal, and indefensible. It is being done allegedly to repel aggression, while it is, itself, aggression.

It is the kind of action that American public opinion condemned unsparingly in past years when done by Goering in Rotterdam, by Mussolini in Italy, and by Mussolini and Hitler in Spain. It is no less unjustifiable when done by the United States in a foreign country which we have invaded and on which we are endeavoring to impose our policies and purposes.

I ask unanimous consent that the editorial "Trigger Happy," from the current edition of the New Republic, and an article from the New York Times by R. W. Apple, Jr., which appeared in this morning's issue, entitled "U.S. Pilots Curbed To Halt Mistakes in Attacks at Sea," be printed at this point in my remarks.

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

[From the New Republic]

TRIGGER HAPPY

Within less than one week, American combat aircraft or helicopters bombed and strafed one Cambodian border town in full view of international observers and friendly diplomats; totally destroyed a Mekong Delta village, maiming 86 and killing 24, mostly women and children; machine-gunned another village, killing 5 and wounding 15; and bombed a friendly town in the demilitarized zone along the 17th parallel. And contrary to Washington's claims that the raids on North Vietnam are conducted with "surgical precision" (the very words used by Vice President HUMPHREY), the France-Press Agency representative in Hanoi reported recent attacks in the Haiphong area caused severe civilian casualties.

For anyone at all conversant with aerial warfare, this should not be too surprising. After all, Washington's most venerable military installation, Ft. Lesley J. McNair, is named after an unfortunate general who was killed on July 23, 1944, by a massive United States Air Force raid which was supposed to breach the Normandy beachhead front, but nearly destroyed the 9th and the 30th US Infantry Divisions instead.

But what surprises and shocks in the Vietnam case is the now clear-cut revelation of what can befall an unfortunate rice-thatch village that happens to be located in a Viet Cong-controlled zone: apparently, regardless of whether it is inhabited by civilians or not, it is subject to total obliteration. "Structures" as such—the new military jargon for any kind of hut—are targets to be destroyed, as is amply borne out by television coverage of ground operations as well. War never descended to *that* kind of barbarity at least in Western Europe, where aircraft would not attack villages and where even the Nazi destruction of such rural communities as Lidice in Czechoslovakia, Oradour in France, or Stavelot in Belgium, remain odious exceptions to be remembered forever.

The fact that such targets were allegedly "pinpointed" (from an office at provincial headquarters, tens of miles away) by a Vietnamese official does not excuse anything. It merely indicates that the whole targeting policy is dead wrong and is badly in need of a change. Communist guerrillas in Vietnam have been known to fire deliberately at spotter aircraft from a "friendly" village in order to be able to demonstrate to the hapless population the incredible ruthlessness of the Saigon regime, which is capable of calling that kind of destruction upon its own people. In other words, our bombing policy, whose military uselessness has been amply documented by Defense Secretary McNamara's statistics, is merely adding grist to the Communist propaganda mill and recruits to the Viet Cong's ranks. And what it does to America's reputation in Asia and elsewhere can be left to the reader's imagination.

Regardless of whether or not the whole war is wrong (and we think it is), there is no reason to add unnecessary pain and devastation to a bad policy. As in Europe during World War II, rural towns and villages should be totally exempted from bombardment except in direct support of committed ground forces and in the face of determined resistance. "Free bombing" should be prohibited over any inhabited area. And the answer to an isolated volley of shots against an observation plane should be a house-to-house search by troops on the ground, not blind destruction from the air against a whole harmless community. We do not condone the terrorism of the weak when he surreptitiously places a bomb by hand in a Saigon restaurant. But we can even less condone the terrorism of the infinitely strong who blindly deals death and destruction with almost total impunity from high-performance aircraft.

It was a recently retired Air Force general who asserted that we could easily win the Vietnam war by bombing the Vietnamese "back to the Stone Age." He may not be far off at that—except that, morally speaking, we may be bombing ourselves back to the Stone Age as well.

[From the New York Times, Aug. 22, 1966]

U.S. PILOTS CURBED TO HALT MISTAKES IN ATTACKS AT SEA—WESTMORELAND ISSUES ORDER AFTER RAID THAT KILLED TWO ON CUTTER OFF VIETNAM—GENERAL'S TONE STERN—FIRM IDENTIFICATION STRESSED—RESTRICTION ON RAIDS IS SECOND IN A WEEK

(By R. W. Apple, Jr.)

SAIGON, SOUTH VIETNAM, August 21.—Gen. William C. Westmoreland, the American commander in Vietnam, has issued an order restricting the conditions under which United States warplanes are permitted to open fire on small vessels.

The sternly worded order is designed to "prevent the recurrence" of incidents such as the one Aug. 11 in which three Air Force planes strafed a United States Coast Guard cutter, killing two crew members and wounding five other people aboard the vessel.

In the future, United States pilots will be permitted to attack only when the coastal surveillance center in the area has identified a ship as hostile or the ship has identified itself by opening fire or taking other offensive action, such as beginning a torpedo run.

With unusual asperity, General Westmoreland reminded the Air Force that "time is not usually of the essence in prosecuting attacks" against boats, because of their low speed.

RULES HAD BEEN VAGUE

Before the new order, the rules of engagement covering encounters between planes and small boats were extremely vague. In the opinion of most observers, that was the principal cause of the accidental attack on the cutter.

Other incidents of poor coordination between American ships and other United States units have since come to light. Last month, for example, a destroyer was informed by a spotter on the beach that it could open fire on all boats more than 2,000 yards offshore. Only the skepticism of the warship's skipper prevented the sinking of dozens of harmless fishing junks.

Early last week, General Westmoreland issued an order directing that all possible measures be taken to insure that civilian casualties in South Vietnam were minimized. The order followed a series of accidental bombings of friendly hamlets.

The American command is still investigating the cutter incident, but a number of facts have been established.

VESSEL IDENTIFIABLE

It is known that the cutter was flying the United States flag, that her hull bore bright orange identification marks that should have been visible to the pilots, and that crew members made frantic attempts to signal the planes to desist.

The captain, according to survivors, died with a signal lamp in his hand a few moments after he arrived on the bridge.

Rockets and 20-mm. cannon shells smashed all of the pilothouse windows and tore gaping holes in the plating on the bow of the cutter, but she was never in danger of sinking. The crew abandoned ship temporarily, returning when the planes finally broke off the attack.

Some of the survivors speculated that flares dropped from a C-123 transport to illuminate the cutter had made signal lights invisible to the pilots of the attack planes. The cutter carried no high-power searchlight.

Radio contact was never established between the cutter and the planes. Most of the ship's radios were knocked out in the first of three strafing runs made by the planes, but a crew member did manage to send a series of SOS's later.

A boatswain's mate assumed command when the captain was killed and the executive officer gravely wounded. He said later that he had put the ship on a zigzag course after the attack began, but he denied that the cutter had taken any "evasive action" before hand.

The pilots had reported that it was partly because of the erratic course of the cutter, the 82-foot-long Point Welcome, that they thought she was an enemy trawler.

FOREIGN AID STUDIES—ARE THEY WORTH WHILE?

Mr. HRUSKA. Mr. President, it will be recalled that during the debate on the foreign aid authorization bill, an amendment was proposed to create something called a Foreign Aid Planning Committee. The proposal was adopted by a substantial majority. It did not have the vote of the Senator from Nebraska.

My objection was based in large measure on the fact that the Senate seemed to be acknowledging that it lacked the competence or the will to carry out its own clear duties and responsibilities in this field. We seemed to have again fallen back on the old crutch of when in doubt, appoint a committee.

It has been my observation from the time I first served on the county board of commissioners in my home county many years ago, that it is a rare committee or commission which can better handle a task than the duly elected and constituted officials. I have had little reason to change that opinion since coming to the Congress.

With specific reference to the field of foreign aid, it is perhaps the most studied and examined and assessed field of government. In the debate on July 26 I ventured the opinion that the proposed Commission would be the fourth or fifth for this purpose in the past dozen years.

I was wrong. It will be at least the seventh in the past 10 years. These special foreign aid study groups have become almost an annual affair.

And what have they produced? Have they significantly improved either the basic concept of foreign aid or its administration or its results?

I asked the Foreign Affairs Division of the Legislative Reference Service to summarize the results of the studies of several of the principal foreign aid study groups. Excluded, obviously, were the ongoing reviews by the State Department, the Pentagon and related agencies; I asked for only the blue ribbon committees.

When the Legislative Reference Service forwarded its summary, it seemed to me incomplete in at least one respect. Whatever happened, I wondered, to the committee which had been provided for in the Foreign Assistance Act of 1963?

The explanation was quite simple: The committee has never made a report.

Senators will recall that while the Senator from Kentucky [Mr. COOPER] first proposed such a committee in March of 1963, the Congress did not complete its work on the foreign aid bill until December of that year. Nonetheless, it was well over a year later, on March 26, 1965, that the so-called Perkins committee was actually named. So far as is known, this is the latest of the study committees.

Mr. President, so that the Senate will have the opportunity to judge for itself the wisdom of creating still another foreign aid commission, I ask unanimous consent to have printed in the RECORD two memorandums prepared by the Legislative Reference Service of the Library of Congress, the first dealing with studies of the foreign aid program during the past 10 years and the second specifically with the latest study group, the so-called Perkins committee.

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

THE LIBRARY OF CONGRESS,
Washington, D.C., August 1, 1966.

To: Honorable ROMAN L. HRUSKA.
From: Foreign Affairs Division.
Subject: Studies of the Foreign Aid Program, 1956–66.

A. REPORTS TO THE PRESIDENT OF THE UNITED STATES ON FOREIGN AID PROGRAMS

1. President's Citizen Advisers on the Mutual Security Program. Report to the President by the President's Citizen Advisers on the Mutual Security Program. Washington, D.C., U.S. Government Printing Office, 1957. 19 pages.

Members of the Citizen Advisers on the Mutual Security Program: Benjamin F. Fairless, Coordinator; Colgate W. Darden, Jr.; Richard R. Deupree; John L. Lewis; Whitelaw Reid; Walter Bedell Smith; Jesse W. Tapp.

Establishment: The group was appointed by President Dwight D. Eisenhower on September 22, 1956.

Major conclusions:

The Committee concluded that in view of the continuing Soviet threat to the free world, a "collective security program will be essential for some years to come. . . . we recommend that the program be continued so long as present critical world tensions exist." (p. 3.)

Concluding that the United States economic strength constitutes the foundation of her total strength in the world, the Committee gave as its aim the formulation of recommendations to protect the American economy. In order to achieve the goal of a gradual reduction of foreign aid, the Committee recommended that the United States seek expansion of world trade through reciprocal tariff reductions and liberalization of customs procedures; encourage regional economic integration, especially in Latin America and Asia; make a more vigorous effort to promote foreign investment of private capital; emphasize sound public loans for economic development as opposed to grants, which should be given only to "those exceptional cases where it is clearly in the national interest to do so and when the recipient countries are judged to be unable to repay" (p. 10); and urge other economically advanced nations to increase their foreign aid efforts.

Specific recommendations regarding the administration of foreign assistance programs were:

(a) Separation of military and economic appropriations, with military assistance to be included within the Department of Defense regular budget and economic assistance to be administered by the Department of State.

(b) Elimination of the semiautonomous state of the International Cooperation Administration (predecessor to Agency for International Development) by integrating it into the Department of State.

(c) Improved coordination among different agencies engaged in foreign operations.

(d) Two-year authorizations of the aid program in order to realize more efficient planning and utilization of funds.

2. International Development Advisory Board. A New Emphasis on Economic Development Abroad. Washington, U.S. Government Printing Office, 1957. 18 pages.

Members: Eric Johnson, chairman.

Establishment: The Board was appointed by President Dwight David Eisenhower to advise on U.S. international economic cooperation and related matters.

Major conclusions: The Board endorsed the continuation of U.S. economic assistance and set forth five criteria considered vital for future success: 1) U.S. assistance will be successful only if recipient nations provide large amounts of their own resources and use them effectively; 2) the U.S. must take a long-term approach to planning, budgeting, and review; 3) the economic and technical aspect of the program must be expanded; 4) private investment in the developing nations must be increased; and 5) the military and economic aid programs must be considered, established, and budgeted for separately. The report concluded with a plan for the establishment of an International Development Fund to administer American economic development programs on a long-term basis. Further suggestions were three-year appropriations by Congress; increased nonmilitary aid, broader discretionary powers for the administrator of the aid program; typing of aid to self-help measures and performance; and more emphasis on loans.

3. The President's Committee to Study the United States Military Assistance Program. Conclusions Concerning the Mutual Security Program. Final Report. Washington, U.S. Government Printing Office, 1959. 56 pages.

Members of the Committee: William H. Draper, Jr., Chairman; Dillon Anderson; Joseph M. Dodge; Alfred M. Gruenther; Marx Leva; John J. McCloy; George McGhee; Joseph T. McNarney; Arthur W. Radford; James E. Webb.

Establishment: The Committee was appointed on November 24, 1958, by President Dwight D. Eisenhower.

Major conclusions:

The President's Committee to Study the United States Military Assistance Program arrived at the fundamental conclusion that the Mutual Security Program had proved to be a sound concept, both in its military and economic aspects, and that it would continue to be an essential tool of American foreign policy. It thus recommended that the Executive Branch and the Congress take steps to put the program on a continuing basis, i.e., a continuing authorization with appropriations for military assistance to be included in the regular Department of Defense Budget, and appropriations for economic aid in the economic aid agency.

The Committee made specific recommendations as to the level of economic and military assistance needed. For military assistance needed. For military assistance it recommended a minimum of $2 billion per year, for fiscal year 1960 and for a number of years afterward. The Committee recommended that beginning in fiscal year 1961 the level of lending for economic development be increased to at least $1 billion annually. It held that economic assistance programs are justified on the grounds both of enlightened self-interest and moral responsibility. "Our full participation in the development of a free world community of nations is vital for our continued national growth." (p. 5).

Additional suggestions were that legislative and administrative steps be taken to stimulate increased participation in the aid effort by private enterprise; that reasonable self-help measures be required of aided countries; that the multilateral approach to development assistance be increasingly stressed; and that surplus agricultural commodities be better utilized.

The Committee particularly stressed the responsibility of the Executive Branch to make every effort to enlighten the American people as to the relationship between the Mutual Security Program and the American national interest.

4. The President's Task Force on Foreign Economic Assistance. An Act for International Development. A Summary Presentation, Fiscal Year 1962. Washington, U.S. Government Printing Office, 1961. 189 pages.

Members of the Task Force: Henry R. Labouisse, Director. Mr. Labouisse established three major Task Force Groups: The Group on Legislation and Congressional Presentation, chaired by Theodore Tannenwald, Jr.; The Group on Organization and Administration, of which George Gant was chairman; The Group on Program Development, headed by Frank M. Coffin. Professor Max Millikan was appointed Chairman of one panel of private consultants. A second panel of private citizens was headed by Henry Alexander.

Establishment: On March 31, 1961, President John F. Kennedy established the Task Force to work out the program, legislation, and organization best adapted to the new concepts set forth in his Message to Congress of March 22, 1961.

Major conclusions:

The Task Force called the result of their efforts "A New Program with New Concepts." The new aid agency was known as the Agency for International Development, headed by an Administrator. Major characteristics of the new program were a unified administration of the aid program, with the Department of State providing overall direction and policy of the program, in order to coordinate existing aid units, centralize programming, and attract high quality professional personnel. The Program called for long-term loans repayable in dollars; supporting assistance for strategic purposes; development grants, chiefly for education and human resources; and Food for Peace.

A keystone of the program was long-term availability of funds, with the President having borrowing authority from the Treasury over a five-year period; and grants available beyond the end of the fiscal year. Aid was to be conditioned upon sound country programs by nations willing to budget their resources for growth and to take necessary measures of social, fiscal, and governmental reform. Additional features of the program were systematic research for improvement of the effectiveness of the aid effort; increased utilization of the financial and management assets of private enterprise through broader guaranties and investment surveys; and mobilization of free world aid sources through coordinating multilateral programs; increasing amounts of aid; and lengthening commitments.

5. The Committee to Strengthen the Security of the Free World. The Scope and Distribution of United States Military and Economic Assistance Programs. Report to the President of the United States from the Committee to Strengthen the Security of the Free World. Washington, U.S. Government Printing Office, 1963. 25 pages.

Members of the Committee: General Lucius D. Clay, Chairman; Robert B. Anderson; Eugene R. Black; Clifford Hardin; Robert A. Lovett; Edward S. Mason; L. F. McCollum; George Meany; Herman Phleger; and Howard A. Rusk, M.D.

Establishment: The Committee was created by President John F. Kennedy on December 10, 1962, to advise the President, the Secretary of State, the Secretary of Defense, and the Administrator of the Agency for International Development on U.S. government foreign operations programs in the economic and military fields. At the President's request, the first task of the Committee was to examine United States military and economic programs to determine whether they were contributing to the optimum security of the United States and the economic and political security of the Free World.

Major conclusions: While noting that properly conceived aid programs are of great value to the American national security interest, the Committee expressed concern as to whether the volume of aid was justified and whether the United States and recipients were getting their "money's worth." "We believe that we are indeed attempting too much for too many and that a higher quality and reduced quantity of our diffuse aid effort in certain countries could accomplish more." (p. 4). Recognizing that reduction of aid programs might be difficult, the Committee observed: "We are convinced that the U.S. must take more risks for the purpose of obtaining performance from foreign governments, be more willing to live with charges that it is insensitive to other countries' needs, and accept the consequences that in some countries there will be less friendly political climates." (pp. 6–7).

The Committee concluded that military and economic assistance to nations contiguous to the Communist bloc were most important to free world security. It recommended continuing review of military assisance programs, however, particularly to determine whether or not certain indigenous forces were larger than needed and whether or not military assistance for internal security was essential to American security.

For other areas of the world, the Committee recommended that other NATO countries increasingly assume the burden of aid to Greece and Turkey and to the developing nations. The Committee concluded that the Latin American countries had not proved their understanding of and willingness to fulfill undertakings of leadership, self-help, and self-discipline. It urged that the United States increasingly condition its aid upon self-help measures and attainment of goals and encourage regional economic integration of Latin America. The Clay Committee further concluded that the interests of the United States and of developing nations could best be served by a gradual shifting to effective international administration, free of complications arising from membership of the Soviet bloc, of as large a share of responsibility for developmental investment as possible. It recommended that loan terms be determined on a more flexible basis after a country by country analysis, and that in some instances harder terms be made.

"We are convinced that barring extraordinary developments, U.S. security interests will require maintaining our military assistance program for some years to come, though it should be reduced progressively as the economic capacities of recipient nations improve. We believe that in a few years, the basic need for such assistance can be served by an annual appropriation of $1 billion." (pp. 19–20). The Committee urged reductions in economic as well as military programs and recommended that they be phased over the next three years.

A dissenting statement to the Clay Committee report was offered by Mr. George Meany, who recommended that AID funds be substantially increased rather than cut.

6. Advisory Committee on Private Enterprise in Foreign Aid. Foreign Aid through Private Initiative. Report of the Advisory Committee on Private Enterprise in Foreign Aid. Washington, Agency for International Development, 1965. 53 pages.

Members of the Advisory Committee: Arthur K. Watson, Chairman; Ernest C. Arbuckle; Joseph A. Beirne; William T. Golden; Henry T. Heald; Kenneth D. Naden; Edith Sampson; Sydney Stein, Jr.; Murray A. Wilson.

Establishment: The Advisory Committee was authorized by an amendment to the Foreign Assistance Act of 1963, Section 601

(c), introduced by Senator JACOB K. JAVITS and cosponsored by Senators ERNEST GRUENING, HUBERT H. HUMPHREY, and WAYNE L. MORSE. The legislation called for the establishment of a nine-member group to "carry out studies and make recommendations for achieving the most effective utilization of the private enterprise provisions of this Act . . ." The members were appointed on May 26, 1964.

Major conclusions: The Advisory Committee concluded that if the less developed countries are to grow at "tolerable rates, they will need a great infusion of capital and human skills from the advanced world," estimated at between $5 billion and $20 billion annually. In surveying the size and nature of the problem, the Committee arrived at three major conclusions:

1. First, added capital cannot be expected to come from governmental sources in quantities sufficient to fill the gap. The nongovernmental resources of the United States and other advanced countries must, therefore, play a much greater part.

2. Second, the skills and other human resources which the less developed countries need must also come largely from non-governmental sources. Governments simply do not have command over most of the human resources that are needed.

3. Third, the role of the non-government groups—of business enterprises, labor unions, professional societies, and all the rest—must be greatly expanded. Otherwise the economic development we do achieve will not provide the pluralism, the democratic balance, and the diffusion of benefits which are its final purpose. (p. 3).

In order to encourage increased effort by private enterprise in the aid effort, the Committee made a number of recommendations. To increase the flow of direct investment into the developing nations, the Advisory Committee suggested government efforts to improve the investment climate, acceptance of the concept of international arbitration of investment disputes, support of the principle of an investment code under international sponsorship, improvement of the investment guaranty programs, and more collaboration with other governments in the antitrust field.

The Committee recommended means of increasing the flow of private finance capital: elimination of restrictive effects on loans to underdeveloped countries by the Federal Reserve Board; expanded assistance for development and improvement of local financial institutions in developing nations; and encouragement of financial intermediaries, such as the International Finance Corporation.

For development of human resources in the emerging nations, the Committee urged that AID place major emphasis upon the educational programs; utilize American business for export and importation of management and industrial skills; and finance increased research related to agricultural, industrial, educational, and administrative needs of the underdeveloped countries.

Recommendations for better organization of the aid program included the suggestion that Congress encourage program as well as project loans; that AID improve liaison between the private sector and the official aid agency; and that the President establish a liaison position within AID of sufficient importance to command the respect of both non-governmental organizations and the official aid hierarchy.

B. SELECTED CONGRESSIONAL STUDIES ON FOREIGN AID, ARRANGED BY YEAR

House of Representatives. Committee on Foreign Affairs. Report of the Committee To Study the Foreign Assistance Program. 84th Congress, 2nd Session. Washington, U.S. Government Printing Office, 1956.

Senate. Committee on Appropriations. Report on overseas operations of the U.S. Government, by ALLEN J. ELLENDER, U.S. Senator from the State of Louisiana. Washington, U.S. Government Printing Office, 1957.

Senate. Special Committee to Study the Foreign Aid Program. The Foreign Aid Program; Compilation of Studies and Surveys. 85th Congress, 1st Session. Washington, U.S. Government Printing Office, 1957.

Senate. Committee on Appropriations. A review of U.S. foreign policy and operations. Report covering eleven countries: Poland, U.S.S.R., Iran, Iraq, Syria, Greece, Yugoslavia, Rumania, Hungary, Czechoslovakia, and France, visited September 1–November 8, 1957. By ALLEN J. ELLENDER, Senator from Louisiana. Washington, U.S. Government Printing Office, 1958.

House of Representatives. U.S. Foreign Aid; Its Purposes, Scope, Administration, and Related Information. Prepared by Legislative Reference Service, Library of Congress. 86th Congress, 1st Session. Washington, U.S. Government Printing Office, 1959.

Senate. Committee on Foreign Relations. Latin America: Venezuela, Brazil, Peru, Bolivia, and Panama. Report of Senator GEORGE D. AIKEN. 86th Congress, 2nd Session, Washington, U.S. Government Printing Office, 1959.

House of Representatives. Committee on Foreign Affairs. Report of the special study mission to Asia, Western Pacific, Middle East, Southern Europe, and North Africa pursuant to H. Res. 113. Washington, U.S. Government Printing Office, 1960.

House of Representatives. Committee on Foreign Affairs. Special study mission to Europe, report by Edna F. Kelly, chairman, *et al.*, pursuant to H. Res. 113. Washington, U.S. Government Printing Office, 1960.

Senate. Committee on Appropriations. Report on United States Military Operations and Mutual Security Programs Overseas. Report of Senator Dennis Chavez. 86th Congress, 2nd Session. Washington, U.S. Government Printing Office, 1960.

Senate. Committees on Foreign Relations, Appropriations and Interior and Insular Affairs. Study mission to Africa, November-December 1960. Report of Senators FRANK CHURCH, GALE W. MCGEE, and FRANK E. MOSS. 87th Congress, 1st Session. Washington, U.S. Government Printing Office, 1961.

House of Representatives. Committee on Foreign Affairs. Report of the staff survey team of the Subcommittee for Review of the Mutual Security Programs on U.S. aid to Korea, Vietnam, and Turkey. Washington, U.S. Government Printing Office, 1962.

Senate, Committee on Appropriations. Special report on Latin America: United States activities in Mexico, Panama, Peru, Chile, Argentina, Brazil, and Venezuela. 87th Congress, 2nd Session. Washington, U.S. Government Printing Office, 1962.

Senate. Committees on Appropriations, Foreign Relations, Interior and Insular Affairs. Study Mission to Southeast Asia, November–December 1962. Report of Senators GALE W. MCGEE, FRANK CHURCH, and FRANK E. MOSS. 88th Congress, 1st Session. Washington, U.S. Government Printing Office, 1963.

Senate. Committee on Government Operations. Report of a Study of United States Foreign Aid in Ten Middle Eastern and African Countries, submitted by Senator ERNEST GRUENING. Washington, U.S. Government Printing Office, 1963.

Senate. Committee on Appropriations. Personnel administration and operations of AID. Report of Senator GALE W. MCGEE to the Committee on Appropriations. Washington, U.S. Government Printing Office, 1964.

Senate. Committee on Government Operations. United States Foreign Aid in Action: A Case Study, Submitted by Senator ERNEST GRUENING to the Subcommittee on Foreign Aid Expenditures. 89th Congress. 2d Session. Washington, U.S. Government Printing Office, 1966.

Senate. What should be the Foreign Aid Policy of the United States? A Collection of Excerpts and a Bibliography relating to the National High School Debate Topic, 1966–1967. 89th Congress, 2nd Session. Washington, U.S. Government Printing Office, 1966.

ROSELYN R. WAHNER.

THE LIBRARY OF CONGRESS,
Washington, D.C., August 15, 1966.

To: Honorable ROMAN L. HRUSKA.
From: Foreign Affairs Division.
Subject: Special committee to make reports to the President and Congress on the foreign aid program.

When the Foreign Assistance Act of 1963 was enacted provision was made for "the President to appoint a committee to review and evaluate economic development programs carried out under the Foreign Assistance Act and to report to the President and to the Congress its findings. The language is permissive. . . ."

The quoted passage is from the Conference Report on Foreign Assistance Act of 1963: H.R. 7885. December 6, 1963 (88th Cong., 1st Sess.). On March 21, 1963, Sen. COOPER had submitted what became, first, Senate Concurrent Resolution 34, and, eventually (with slight modification) section 107 of the Foreign Assistance Act of 1963.

A Senate amendment adding a new title VII to chapter 2, part 1, of the Act, providing for the appointment of such committees as the one described above, had incorporated Senator COOPER's resolution, which had meantime been cosponsored by ten additional Senators. The House bill had contained no comparable provision. In Conference the managers on the part of the House accepted the Senate amendment with an amendment.

On March 26, 1965, a committee such as that provided for in section 107 of the 1963 Foreign Assistance Act was appointed. It is a continuing, functioning committee. The official name of it is The President's General Advisory Committee on Foreign Assistance Programs. It is known as "The Perkins Committee," as it is headed by Dr. James A. Perkins, President of Cornell University.

Other members of the Committee are: Dwayne O. Andreas, Executive Vice-President of Farmers Union Grain Terminal Association; Mr. Eugene Black, former Director of the International Bank for Reconstruction and Development; Mrs. Everett Case, Chairman of the Board of Trustees of Skidmore College; Dr. Luther Foster, President, Tuskegee Institute; Mr. John Gardner, (then) President, Carnegie Corporation; (now Secretary of Health, Education, and Welfare); General Alfred Greunther, former President, American Red Cross; Dr. J. George Harrar, President of the Rockefeller Foundation; Mr. William R. Hewlett, Executive Vice-President, Chairman, Hewlett-Packard Company; Mr. Sol Linowitz, Chairman of the Board, Xerox Corporation; Prof. Edward S. Mason, Dept. of Economics, Harvard University; Mr. George Meany, President, AFL–CIO; Dr. Franklin D. Murphy, Chancellor, University of California, Los Angeles; Mr. David Rockefeller.

No specific date or contents of the report had been stipulated. As far as the Congressional Liaison's Office, Agency for International Development, knows, there have been no reports so far. The Committee is chiefly advisory.

VIRGINIA W. BREWER,
Analyst in International Relations.

WATER FOR MANY OUTRANKS SPECIAL PRIVILEGE FOR A FEW: WHY THE COLORADO RIVER DAMS MUST BE BUILT

Mr. FANNIN. Mr. President, Arizona has attracted many thousands of new citizens from other States in recent years—a fact demonstrated by our ranking as one of the fastest growing States in the Nation.

It is understandable that many of these new Arizonans lack knowledge of their adopted State's history and economy. In particular, many of them are woefully uninformed about Arizona's desperate need for additional water through the central Arizona project.

Regrettably, a very small number of these Arizonans have been victimized by the propaganda of David Brower, executive director of the Sierra Club, whose campaign of falsehood against dams on the Colorado River has obscured the truth and brought discredit upon an organization whose overall record in worthwhile conservation causes has been commendable.

Some of our new Arizonans, like many Americans elsewhere, simply do not know about the tremendous recreation benefits that will accrue to all the people of America from the building of Hualapai and Marble Canyon Dams. They do not understand the true conservation principles that are embodied in the pending legislation.

One of my State's veteran editors and publishers, William R. Mathews, of the Arizona Daily Star in Tucson, recently turned his attention to those few misguided voices in our own State who are opposing the dams out of groundless fear and ignorance of reclamation economics based on the sale of hydroelectric energy.

In his editorial of August 14, 1966, Mr. Mathews ably explains why the dams are needed and sets at rest the apprehension of those who have been misled by extremist scare talk against them.

In the hope that his views will be widely read and studied, I ask unanimous consent to have the editorial printed in the RECORD, and I commend it to all of my colleagues in the Senate.

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

[From the Tucson (Ariz.) Daily Star, Aug. 14, 1966]

FALSEHOODS BECLOUD COLORADO RIVER PICTURE

(By William R. Mathews)

It is a sad matter, a tragic protest, that a few score of Tucson citizens should wait to this late hour, to try to undo the vital matter of bringing Colorado River water into the central valley of Arizona and as far as Tucson. That they do this without providing any other plan to bring this future water supply to Tucson, makes them appear as intellectually selfish dogs-in-the-manger.

They have swallowed whole the falsehoods published by the Sierra Club, that the building of the Hualapai and Marble Canyon Dams would destroy the Grand Canyon, when, as a matter of fact, the building of these two dams would develop the areas above and below the Grand Canyon for new and badly-needed recreation sites around the lakes these dams would create, in what today are remote areas outside the Grand Canyon itself, for use by people of the entire nation.

Their anxiety about the need of protecting the natural beauty and grandeur of the Grand Canyon would be more than relieved, if they would only take a comprehensive view of what is to be done. For instance, Grand Canyon National Park would remain undisturbed. Water would continue to flow through it, just as it does today. Within this vast area there would be no works of any kind. The dams would be built in places that today are nearly inaccessible.

When the dams were finished, around each of them would, and should, be recreation areas for the people of the nation. The beauty of the Grand Canyon would not be marred in the least, any more than building of Hoover Dam has marred it. To the contrary, the beauty of the gorges adjacent to the Grand Canyon would be made more accessible to millions more people.

When these good, intelligent people, mostly professional workers and teachers, state:

"We remain convinced that after arduous study of both sides, that the vast areas of the Grand Canyon and adjoining regions will be effectively and permanently modified or destroyed, if one or both of the dams are built," they shout a damnable falsehood, which they cannot document with authoritative facts.

They shout another falsehood when they say publicly:

"We further believe that if the nation's greatest natural gift cannot be protected, we will see the same arguments for expediency and dollar practicability used to ban or destroy other wildernesses of the nation. The people of the world will watch us, and future generations will judge us, to see whether the world's greatest nation will destroy its most valuable natural possession for gross utilitarian purposes."

Those words are not only false, they smear those of us who have been working for more than 40 years to bring Colorado River water into Arizona's central valley, and to obtain water for Tucson, with a connotation that developing a permanent water supply for Tucson, as one instance, is a "gross utilitarian purpose."

Suppose it is utilitarian when its sole purpose is to bring water to sustain human life! To condemn those who, as good citizens have worked unselfishly to develop this water project, and to wait until the last critical moment, when a vote impends in the U.S. House of Representatives, is a downright dirty trick.

Those fine citizens who have worked so long to conquer constant obstructions to make this development possible are just as much devoted to the protection of the grandeur and beauty of the Grand Canyon as any of these pious emotionalists are. To say, "Once we have lost the Grand Canyon, or any part of it, we shall have lost it forever," falsifies by charging that the building of these two dams will cause such a calamity. It grossly charges that those who have worked for the accomplishment of bringing water to Tucson are planning to destroy the beauty and grandeur of the Grand Canyon, which they love and will protect.

The technical aspects should be understood. The problem is to pump water from behind Parker Dam, up 2,500 feet to reach Tucson. That will take a prodigious amount of electricity. Los Angeles pumps this water about 1,650 feet through mountain tunnels, and uses part of the electricity from Hoover Dam to do so. If Arizona is to move Colorado River water inland to Tucson, it will need to take the electricity generated at both proposed dams, part of it for pumping and part of it for sale to the public, to pay for building the project. This was done at Hoover Dam. The power revenues from Hoover Dam will pay out the cost of that dam in 1980.

The financial policy of building self-liquidating multipurpose reclamation projects made possible part of the development of the West. We of the West have had to plead with Congress to advance the funds. Only by proving that the projects would be self-liquidating, could the West get the necessary votes from eastern congressmen.

That is where "dollar practicality" developed. It built Roosevelt Dam in Arizona, to turn the Salt River Valley into a Garden of Eden. It built Hoover Dam, that not only insures a permanent water supply for the Imperial and Coachella Valleys, but, with the diversion dam at Parker, makes possible a permanent water supply for the great Los Angeles and San Diego basins. So it goes in Colorado, Utah, Wyoming and New Mexico in the Colorado River Basin, and in Oregon, Washington and Idaho outside the basin, to name only a few states of the Reclamation West.

Those who have worked for this development have sought zealously over many years to find other ways to do this job. They have searched and searched, but have had to come to the conclusion that the two-dam way is the only way.

DEATH OF AARON BENESCH

Mr. CASE. Mr. President, it was with great sadness that I learned of the death of Aaron Benesch, a well-known, well-liked newspaperman in St. Louis and Washington, D.C., for more than half a century.

I got to know Aaron while he was a news executive in the Washington bureau of the Newhouse newspapers. In addition to his many other duties, Aaron frequently covered my office since the Newhouse organization is represented in my State of New Jersey by the Newark Star-Ledger and the Jersey Journal.

Aaron's death takes away from us a warm friend, a fine newspaperman, and a man of great generosity of spirit. We shall miss him.

Aaron's long and colorful career was excellently summed up in the story of his death carried by the Star-Ledger on August 17. I ask unanimous consent that the Star-Ledger article be placed in the RECORD after my remarks.

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

AARON BENESCH DIES; NEWSMAN HALF CENTURY

WASHINGTON.—Aaron G. Benesch, a newspaperman for more than 50 years in St. Louis and Washington, died here Tuesday at Providence Hospital. He was 73.

Mr. Benesch had retired Dec. 31 as Associate Editor of the Newhouse National News Service in Washington. He previously was managing editor of the St. Louis Globe-Democrat.

SAD TRIBUTES

Members of Congress and ranking government officers paid these tributes:

Sen. STUART SYMINGTON (D-Mo.): "Aaron Benesch had a deep understanding of our government. In addition, he had the respect and deep affection of all who knew him. He will be sorely missed as a newspaperman of unusual skill, and a citizen of high character."

Sen. EDWARD V. LONG (D-Mo.): "Aaron Benesch had a long and distinguished career, more than half a century of service to his fellow Americans. He was an outstanding writer and reporter, and a warm friend to us all."

J. Edgar Hoover, Director of the Federal Bureau of Investigation: "Aaron Benesch was a good friend, a fine gentleman, and a dis-

tinguished newsman. The dedication and ability he brought to his chosen profession will serve as an inspiration to those of us saddened by his passing."

Sen. CLIFFORD P. CASE (R-N.J.): "Aaron Benesch was a warm friend, a fine newspaperman and a man of great generosity of spirit."

Sen. HARRISON A. WILLIAMS JR. (D-N.J.): "In my long association with Aaron Benesch, I cannot remember a story of his which was not completely correct. But the thing I remember most about Aaron was his warmth and kindness.

STARTED AS COPYBOY

A native of St. Louis, Mr. Benesch entered newspaper work in 1913 as a $3-a-week copyboy on the old St. Louis Star. The job began a career during which he was managing editor of two St. Louis newspapers and city editor of a third.

He became a reporter for The Star in 1914—"when I donned long pants," he recently recalled—and joined the St. Louis Times 10 years later as a political writer and columnist, subsequently serving as city editor and managing editor.

When The Star and Times were consolidated in 1932, Mr. Benesch became a political writer for the combined daily. He became city editor in 1934 and held that position until the Star-Times suspended publication in 1951.

Mr. Benesch's first tour of duty in Washington was from 1951 to 1953, when he headed the St. Louis Globe-Democrat's bureau. He went to St. Louis to be managing editor of the Globe-Democrat from 1953 to 1957. Then he returned to Washington and had been in the capital since, first as bureau chief for the Newhouse National News Service.

RETIREMENT

Upon his retirement, Mr. Benesch spent much time answering letters from friends around the country. Among the letters was one from an old acquaintance, former President Harry S. Truman, who wrote: "You have put in all of fifty years in the hectic field of journalism, and that is a long time, even in a normal field of operation."

He is survived by his wife, Eva, of the home address at 5480 Wisconsin Ave., Chevy Chase, Md.; a daughter, Roberta (Mrs. Harry) Block, who lives in Paris where her husband is a civilian engineer for the U.S. Defense Department; two grandchildren, Lisa, 6, and Jeffrey, 2; and two sisters, Mrs. Mae Simmons and Mrs. Josephine Apel, both of St. Louis.

Services will be in Washington tomorrow.

OREGON'S FOREST FUTURE, II

Mr. MORSE. Mr. President, today I ask unanimous consent to have printed in the RECORD, five items from the August 1966 "Progress Roundup," published by the Western Wood Products Association, which is headed up by Mr. Wendell Barnes, who served so capably in the past as Administrator for the Small Business Administration several years ago.

These articles depict progress in conservation on private forest lands. They demonstrate how research is moving back the frontiers of ignorance and how government and industry, through the executive reservists program are cooperating to keep America prepared.

I have selected these articles because they typify the opportunity for constructive work in conservation and the commendable efforts that are being made in certain segments of our Western forest industry. These efforts deserve credit and I am pleased to take this opportunity to recognize these efforts.

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

LOGGING ON A LADDER

Is he high climbing the easy way or just trying for a better view? Neither, actually. Raymond Hale, an employee with a contract logging operation on Medford Corporation's Tree Farm land near Medford, Oregon is just making certain that this big Pondersa pine tree will fall uphill instead of down.

This very unusual method of selective logging is regularly practiced by the "high lift" logging crew of Gus Priebe, a contract logger on Medco's steeper Tree Farm slopes. Hale, or someone else handy, climbs an expandable 24-foot ladder, wraps a tree with a cable, the other end of which is secured to a self-propelled crane on an upper road, and scampers out of the way. When cut, the tree is pulled against the hillside, thereby minimizing breakage to the tree and damage to the soil or to younger, immature trees growing nearby.

Routine logging methods, of course, are used on the more level sites of the Tree Farm. But Priebe's operation is an effective unit doing a special and effective job of forest conservation through ingenious utilization. As Al Smith, Medco's logging manager, puts it: "It's difficult to tell that an area has been logged when Priebe has finished selectively cutting it."

A TREE BY ANY OTHER NUMBER

Individual trees on Western industrial tree farms may not yet be required to give timber cruisers their name, rank and serial number, but the time may be coming.

Take for instance a growing number of trees to 151 test sites scattered throughout Boise Cascade Corporation's 112,000-acre Elk Lumber Company Tree Farm near Medford, Oregon.

Every tree more than 11½ inches in diameter wears a white lead and linseed oil number that insures its recorded history. Each tree is part of a growth plot system established on the Tree Farm in 1955 to enable the Company, with the assistance of IBM computers, to determine information to guide forest management practices. The system will help establish a guide to calculate allowable cut or the volume of timber that may be removed under a sustained yield program.

Circular study plots are set up around a center stake located in the Northeast corner of each section under company ownership. Every five years foresters survey the one-acre plots and measure the growth of each tree. Mortality, diameter, species, age, height and health of the stand are recorded.

The plots also help foresters to study reforestation, animal and frost damage, protection, utilization and recreation area problems.

SUPER DOUGLAS FIR TARGET—60-YEAR STUDY STARTS

A 60-year study to improve the Pacific Northwest's all-important Douglas fir has been started with the hopes that the end result will provide a tree with better drought tolerance, better form, and higher productivity.

The improvements may come through combining characteristics of Douglas fir stock gathered from throughout the Western United States, British Columbia, and Mexico. Douglas fir is found as far east as Montana, as far north as central British Columbia, and south to the Mexican highlands. Great variations in characteristics are found in trees taken in different regions, and even occasionally, in trees taken in the same area.

Douglas fir in one area grows three to four times as fast as those in another, while some in one area may start spring growth two to three weeks earlier than those in another. In hopes that such differences can be combined in new, improved forms of Douglas fir, approximately 4,000 trees from the Douglas fir's growth range are now being grown near Corvallis. The Oregon State University's Forest Research Laboratory is undertaking the 60-year study under the direction of Dr. Helge Irgens-Moller.

The plantation study is also tied in with experiments now underway using a special controlled-environment growth chamber in which trees may be grown under controlled temperature and with artificial lighting to stimulate varying day lengths.

Laboratory experiments already have shown that coastal Douglas fir is less influenced by changing day lengths associated with seasonal changes than are inland trees.

IN CASE OF EMERGENCY—LUMBER EXECUTIVES NEEDED—COMMERCE DEPARTMENT SEEKS MORE WESTERN RESERVISTS

It was D-day plus 60 and already American industry was well on its way toward regaining its former world supremacy. All major ports and commerce centers were totally flattened, of course, in the nuclear attack and roughly 30,000,000 people had died in panic while fleeing clogged former metropolitan areas.

Hostilities had ceased after a few days, not because of any truce but because both sides had exhausted their primary retaliatory stockpiles. After the initial shock, which left Asia a wasteland, the U.S. and Russia crippled, and Europe hardly touched, it suddenly became more important to repair domestic damage and forget about ideological differences.

Whether the war was to be continued or not was a moot question. In any case, production, materials, and facilities were all desperately needed to reestablish modern society. Successes toward that end during the previous 60 days could largely be attributed to a dedicated group of industry and business leaders called Business and Defense Services Administration Executive Reservists.

The Reservists were (and are) selected and organized by the U.S. Commerce Department because they have talent, training, and experience to operate an established Defense Materials System during threatening or actual warfare situations. They are charged, in summary, with serving the government in inventorying available supplies and facilities, assessing critical areas of need for priorities, and planning reestablishment of manufacture and supply to get essential products for military and civilian use as rapidly as possible.

More of these Reservists are needed, especially from the wood and forest products industry in the WWPA-producing region. As the chart to the right illustrates, only eight men from the 12 Western states now represent lumber or sawmilling. That would give each man administration and coordination duties for lumber products in 1½ states in the event of war.

The Department of Commerce is currently welcoming applicants to the program. They should be between 35 and 55 years old, be U.S. citizens, and have no military or civil defense commitment which would conflict with Reserve membership. Applicants should also have a strong background in industrial production and management or have comparable skills which would be of value to an emergency production agency.

Lumbermen interested in learning more about the Executive Reserve Program are invited to contact the nearest Department of Commerce Field Office (see list above). When contacting an office, request a Background Statement Form CD-174.

It must be emphasized that designation as a Reservist is subject to (1) the needs of the Department of Commerce; (2) approval of employer and completion of a "statement of understanding"; (3) satisfactory security clearance; and (4) approval by the Secretary of Commerce.

WESTERN FIELD OFFICES DEPARTMENT OF COMMERCE

Arizona: New Federal Building, 230 N. First avenue, Phoenix, 85025

California: Western Pacific Bldg., 1031 S. Broadway, L. Angeles, 90015; Federal Bldg., 450 Golden Gate ave., San Francisco, 94102

Colorado: Federal Building, 20th and Stout street, Denver, 80202

Nevada: Federal Building, 300 Booth street, Reno, 89502

New Mexico: U.S. Courthouse, Albuquerque, 87101

Oregon: Pioneer Post Office, 520 S.W. Morrison street, Portland, 97204

Utah: Federal Building, 125 South State street, Salt Lake City, 84111

Washington: Federal Office Building, 909 First avenue, Seattle, 98104

Wyoming: Federal Building, 2120 Capitol avenue, Cheyenne, 82002

WESTERN ROSTER OF WOOD PRODUCT CLASS RESERVISTS

G. E. Karlen, Managing Partner, Karlen-Davis Company, 701 Tacoma Building, Tacoma, Washington (Sawmilling).

Leslie G. Everitt, Chairman of the Board, Everitt Lumber Company, Inc., P.O. Box 822, Ft. Collins, Colorado.

Peter C. Gaffney, Executive Vice President S.W. Forest Industries, Inc., 411 N. Central Avenue, Phoenix, Arizona (Logging, Sawmilling).

Frank E. Heard, General Manager Motrone-Heard Lumber Company, 1038 Beamer Street, Woodland, California.

Fred C. Talbot, Jr., Talbot Lumber Company, 58 Sutter Street, San Francisco, California (Logging, Sawmilling).

Richard S. McLelland, President, McLelland Lumber Company, 804 N. 5th Street, Pocatello, Idaho (Sawmilling).

Joseph H. Sampson, General Manager, Biles-Coleman Lumber Company, Omak, Washington (Sawmilling).

G. Corydon Wagner, Jr., President, Cariboo-Pacific Corporation, P.O. Box 3419, Tacoma, Washington (Logging, Sawmilling).

RESERVISTS READY FOR H-HOUR—3,500 THROUGHOUT NATION PROVIDE INDUSTRIAL READINESS

(Three times within a generation our Government has been forced to expand its civilian staff to meet war emergencies. Each time it has had to look to nongovernmental sources for additional executive talent. Time and geography have been on our side in these prior emergencies, so improvisations have not been too costly. But the march of history and technology makes it unrealistic to assume that we will again be so lucky.

(Jacobson, 34, Sales Control Manager for Boise Cascade Corporation's Yakima, Elgin, and Payette plywood mills, is currently a candidate for admission into the Executive Reserve. He was a Lieutenant in the U.S. Army between 1956 and 1959, holds a Bachelor's Degree in Management from Whitman College, and a Master's Degree in Business from Stanford University. He lives in Lake Oswego, Oregon.)

The National Defense Executive Reserve is a corps of business executives and industry specialists who have volunteered to serve in time of national emergency. Authorized by Congress in the Defense Production Act Amendments of 1955 and established by Executive Order in 1956, it now provides some 3500 Reservists within twelve government departments. Each man is trained and capable of filling key civilian positions a local, regional, or national headquarters in case an emergency threatens.

By definition, then, our Civilian Executive Reserve is comparable to our military reserve and provides a base upon which industrial readiness can be erected much more rapidly than in the past.

A current candidate for admission into the program is Donald Jacobson, a sales control manager for Boise Cascade Corporation in Portland, Oregon. As to why he applied for admittance into the program, Jacobson sums it up by saying "You have to believe in maintaining a certain preparedness. There is satisfaction in knowing that you could contribute in the event of an emergency, and there is a real need for lumber and wood products representatives within the Reservist program."

He points out that enemy action might well include a severe and crippling initial onslaught which would make impossible our normal centralized control and management of productive economy. For this reason, current Reservist planning envisages the deployment of production agency personnel to a number of relocation sites. Each site would be capable of making separate contributions to the National program without direct control or guidance in case communications were interrupted.

"In simple terms, things can happen very quickly in our advanced world, and we must be prepared mentally and mechanically. It's a matter of contributing where one can in good faith, for those objectives which are deemed best at the time by Government officials charged with directing emergency activities."

He also emphasized that busy lumber industry executives should easily be able to afford the time to attend a maximum of six meetings per year. There are four quarterly sessions among local headquarters, and one annual visit to national headquarters in Washington, D.C. In addition, there may be a regional meeting once a year at one of three Western regional headquarters—Everett, Washington, Santa Rosa, California, or Denver, Colorado.

"As a peacetime sidelight," according to Jacobson, "individuals and companies have a definite advantage in becoming familiar with the workings of government, especially the Department of Commerce. It offers a tremendous range of services, including an excellent library, and very complete production and marketing information."

During peacetime, the Department fosters, promotes, and develops both foreign and domestic commerce. As Jacobson states, contact with the Department is beneficial to executive reservists, as are a sense of duty and executive patriotism.

GAINS OF SOUTH VIETNAM TERRITORY BY VIETCONG

Mr. MORSE. Mr. President, I ask unanimous consent to have printed in the RECORD at the close of these remarks a story from Saigon, written by Jack Steele of the Scripps-Howard service, and published in the Washington Daily News of August 15.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 1.)

Mr. MORSE. Mr. President, Mr. Steele explains that despite the continued official claims that the war is going well for the United States, the Vietcong continue to gain control of the countryside. CBS news reports bore out this fact recently in another way by showing the airlifting of Vietnamese civilians out of areas in the countryside which American and South Vietnamese are losing to the Vietcong.

Far from gaining control in South Vietnam, we apparently are losing control of territory, and are simply moving the people to refugee centers to make certain they do not become dominated by the Vietcong.

A second document which I ask be printed at the close of these remarks is the testimony to the subcommittee on refugees by William Pepper.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. (See exhibit 2.)

Mr. MORSE. Mr. President, Mr. Pepper is from New Rochelle, N.Y. He recently spent 5 weeks in Vietnam studying refugee problems. As Mr. Pepper's statement makes clear, by far the majority of present refugees in South Vietnam have been rendered homeless by American military action, and by far the majority of hospital patients, especially children, are there due to injuries suffered from American military activities. The plight of these children, and the huge burden they impose upon physical facilities, has been almost totally ignored by the American people.

Yet Mr. Pepper's statistics make it evident that the population of South Vietnam is nearly half under age 16, and that the breakdown of family life which the war has caused will bring adverse repercussions for decades to come.

When our administration talks of the noble works we are instituting in South Vietnam, let it not fail to point out also the destruction we are bringing to it. If we are building hospitals, we are creating far more patients than they can handle; if we are building schools, we are depriving far more children of educational opportunities than we are giving such opportunities.

I also point to Mr. Pepper's conclusion under the heading: "General Security and Welfare." He states:

> In a way more subtle than physical scarring, the conflict is affecting for a long time to come the structures of the Vietnamese people. It is doing this precisely because the family is being gradually eliminated as the basic unit.

He indicates that fatherless families are uniting in a tribal system, and that the thousands of abandoned and orphaned children are living in packs in the cities. Orphanages are a third "defamilyized" unit that is rapidly growing in South Vietnam.

As Mr. Steele's story suggests, this picture in Vietnam is getting worse, not better, for as we lose area control, we are beginning to move people out and further destroy their means of livelihood, self-support, and family independence and organization.

[From the Washington (D.C.) Daily News, Aug. 15, 1966]

EXHIBIT 1

VIETCONG SPREADS FEAR—POOR VIET POLLS TURNOUT FEARED

(By Jack Steele)

SAIGON, August 15.—Both American and South Vietnamese officials voiced concern today that the turnout in the Sept. 11 constitu-

ent assembly election may not exceed 50 percent of the registered voters.

This would be a bitter disappointment, especially since 70 per cent of South Viet Nam's eligible voters cast ballots in less important provincial council elections in April, 1965.

A 50 per cent turnout would mean a vote of about 2.5 million, of slightly more than 5 million registered voters. Last year about 3.5 million votes were cast.

This forecast may be too pessimistic. The Vietnamese people in recent years have shown a strong desire to vote, even in relatively meaningless elections.

But it is the first current estimate of responsible officials here who have been keeping tabs on election preparations.

DRAWBACKS

These officials say a 50 per cent turnout would be "relatively good" under existing war conditions and in view of the skepticism of many Vietnamese.

They give three major reasons for their rather gloomy predictions:

The Viet Cong are mounting a campaign to terrorize and intimidate both voters and candidates.

Security has declined in many areas of South Viet Nam since the provincial council elections 16 months ago. This may keep more eligible voters from the polls.

Many Vietnamese seem unaware the election is only four weeks off. Others apparently couldn't care less about electing a constituent assembly which will have power only to draft a new constitution.

The Viet Cong, in trying to crank up a terrorist campaign to disrupt the election, are operating differently from last year when they denounced and "boycotted" the elections but did little to stop the Vietnamese from voting.

THREATS

Some candidates, particularly in the Mekong Delta, already have received assassination threats from the Viet Cong and several have pulled out of the campaign.

The Viet Cong also have launched a diabolical propaganda campaign. They pass out leaflets in and around Saigon warning men of draft age they will be hauled off to Vietnamese army training camps if they show up at the polls.

The contention that security has declined in the past year despite the buildup of nearly 300,000 American troops is contrary to the official U.S. position.

American and Korean troops have pacified small areas around their enclaves in the northern coastal cities and base camps. But their "search and destroy" sweeps actually have enabled the Viet Cong to tighten their control over many contested villages and hamlets.

EXHIBIT 2

STATEMENT OF WILLIAM T. PEPPER TO THE SUBCOMMITTEE TO INVESTIGATE PROBLEMS CONNECTED WITH REFUGEES AND ESCAPEES OF THE COMMITTEE ON THE JUDICIARY, U.S. SENATE SESSION, SUMMER AND AUTUMN, 1966, HON. EDWARD M. KENNEDY, CHAIRMAN

(William F. Pepper, Executive Director of of the New Rochelle Commission on Human Rights, Instructor in Political Science at Mercy College in Dobbs Ferry, New York, and Director of that college's Children's Institute For Advanced Study and Research spent between five and six weeks this spring (1966) in Viet-Nam as a Free Lance Correspondent accredited by the Military Assistance Command in that country, and the Government of Viet-Nam.

(During that period in addition to travelling, he lived in Sancta Maria Orphanage in Gia Dinh Province and in the main "shelter area" in Qui-Nhon, for a shorter period of time. His main interests were the effects of the war on women and children, the role of the American Voluntary Agencies there and the work of the military in civil action.

(His visits took him to a number of: orphanages—among them, AnLac; Go-Vap; Don Bosco; Hoi Dvc Anl; Bac Ai—hospitals: Cho-Ray; Holy Family; Phu My; Saigon-Cholon (central hosp.) and shelters in Saigon, Cholon, Qui-Nhon and outer Binh-Dinh.

(He interviewed, frequently, more than once, the following Cabinet Ministers of South Viet-Nam: Dr. Nguyen Ba Kha, Minister of Health; Dr. Tran Ngoc Ninh—Minister of Education; Mr. Tran Ngoc Lieng—Minister of Social Welfare; Dr. Nguyen Thuc Que—High Commission for Refugees.

(In addition, he conferred with the leaders of the Voluntary Agency Community, and the USAID Coordinator for Refugee Affairs Mr. Edward Marks, as well as the USAID child welfare specialist, Mr. Gardner Monroe.

(Sessions were also held with Mademoiselle E. La Mer of UNICEF and Mr. Pierre Baesjous of UNESCO.

(At the present time he has a book in preparation and has authored a number of newspaper articles since returning.)

Mr. Chairman, I wish to thank the Subcommittee for this opportunity to appear and present some personal observations on the conditions facing one segment of so called refugee population of South Viet-Nam. I only hope that these reflections will add something of value to the Subcommittee's consideration of an extremely complicated situation.

The cumulative figure of "tactical refugees", or persons displaced from their normal habitations by the conflict, and unable to return, some while ago, passed the one million mark. Only a small percentage of them have been classified as "permanently resettled."

My observations indicate that a great number of these "tactical refugees" are children and that there are others who have not been counted—also mostly children—who reside in institutions, makeshift shelters, hospitals, with friends and relations or on their own, in the cities, and provincial towns.

It may be helpful to set the framework for the present condition of childhood in South Viet-Nam, from this viewpoint, by commenting upon the quality of services, and living conditions which we have come to regard as being essential human rights of every young being.

WHO ARE THEY?

According to UNESCO study in 1964, 53% of the population of South Viet-Nam is under 21 years of age, 43.4% is under 15 years of age and 47.5% of the population are under 16. Pierre Baesjou, the chief of UNESCO officer in Viet-Nam, emphasized during the course of our lengthy conference that these per-centages were higher today. Naturally with an annual Birthrate of 50 per 1,000 and a yearly population increase of 2.5%, there would be an increase.

It should be quite obvious, then, that we are speaking of the majority of the people of Viet-Nam when we refer to her children. It should also be emphasized in the context of planning that 69% of the Vietnamese people will be under 21 by 1980.

EDUCATION

While the Ministry of Education of the Government of South Viet-Nam maintains that 70% of the children are receiving some schooling, this figure is not advanced by officials of UNICEF and UNESCO present in Viet-Nam. It is also disputed by others of the private assistance community who are concerned with school construction and educational programs. As a consensus it probably would be more accurate to say that at best 45–50% of the children of South Viet-Nam are receiving at most two hours of schooling, six days a week, nine or ten months a year. In the rural areas, the percentage of children getting even this minimal educational exposure is greatly reduced. City and town schools often function with four or five shifts to meet this standard. The classes range in size from 60 to 80 pupils. In some private schools they go up to 100 students in each class.

To indicate the shortage of facilities, there are (1) a combined total of 2,620—primary and secondary—schools that would allow a student to go from the first to the twelth grade. This in a country that has *between 7 and 8 million students* in this age range. The figure is rapidly increasing, and so is the gap between available places and student demands.

Previously, students who completed five years of primary schooling had to take a national examination prior to secondary school entrance. Then those who passed would be required to take an entrance examination provided by the secondary school which they decided to enter, and usually, which was very similar to the certifying exam—After the first cycle of study—8 years—they had to take the exam for the high school cycle of three years, they would take the first part of the Baccalaureate exam. Then after the third year, the final exam is taken for the Baccalaureate, second part. They were, then, eligible for university.

The Minister of Education has abolished the national certifying examination, but students must still take the individual secondary school entrance examinations. The Minister has also eliminated the first cycle—4 years—examination.

The difficulties of the educational system of Viet-Nam may best be seen in the comparison of the number of primary and secondary school students with the number of schools available at each level.

There are 5.700 primary schools and about 5,000,000 students. The number of schools needs to be about doubled, to meet present needs.

There are 592 secondary schools and approximately 2,000,000 (minimum figure) students for those schools. The number of secondary schools needs to be increased four times to meet present needs.

These figures are based on schools with a capacity for 500 students, which is high for Viet-Nam. It is not economically feasible to construct larger schools here, at this time due to 1) the capital expense and 2) the inadequate transportation facilities that exist. Central schools require, as the American experience shows, an efficient and safe network of transportation for students who live some distance.

NUMBER OF SCHOOLS AND GRADES COVERED

Primary: 5,700 (total); 3,800 (public), 2,000 through grade 3, 1,800 through grade 5; 1,900 (private), 1,300 through grade 3, 600 through grade 5.

Secondary: 592 (total); 150 (public), 64 through both cycles, 12th grade, 86 through one cycle, grade 8; 359 (private), 138 through both cycles, 12th grade, 221 through one cycle, grade 8; 83 (semi-private) (w/Govt. subsidy), 18 through both cycles, grade 12, 65 through one cycle, grade 8.

In a lengthy conference with Dr. Tran Ngoc Ninh—since replaced by a new Secretary of State for Education—he stated that teacher training schools turn out about 1,000 primary school teachers a year and the need is for 6,000. At the secondary level, 800 teachers are graduated annually and 2,500 are needed. In both instances these requirements are set to keep up with only the present needs of the population.

These conditions have rendered illiterate roughly 40% of the male population and 60% of the female population, under 15. Between 15 and 19 years of age, we find that 70% of Viet-Nam's males and 85% of her young women are illiterate, at this time.

Children housed in the refugee shelters usually receive no education at all. If 20% of those living in this condition are exposed to any schooling it is extraordinary. Some of the orphanages have educational programs of poor quality, others have none at all. Thousands and thousands of the "street children" living on their own in cities and towns, as well as countless others who huddle with families and friends, in the city and country, never see a classroom of any type.

The Ministry of Education for South Viet-Nam receives 5% of the total national budget. The inadequacy of this allocation speaks for itself. If it were not for American private and public assistance in this area the picture would be considerably worse than it is.

HEALTH

If there were no war in Viet-Nam the status of the health of its children would be—as it is throughout the underdeveloped world—a very serious problem.

Though it is difficult to obtain precise information due to the fact that most deaths occur outside of the hospitals, specialists estimate the rate of infant mortality to be around 50% for a national average. It is conceded to be considerably higher in rural areas. The average child, barring any of the misadventures of war, may look forward to a life span of between 30 and 35 years.

The regular incidence of diseases, such as tuberculosis, polio, cholera and leprosy among others, is alarming, and the conflict has made more acute the shortage of doctors and medical personnel. There are for example, over 600 doctors in the armed services, according to Dr. Bak ha, the Minister of Health. He has only about 200 doctors working for him and there are an additional 230 who are private practioners for a total of around 1,030 physicians in South Vietnam. The proportion of nurses—practical or otherwise—is about 9 for every 100,000 inhabitants and the proportion of midwives is 5 for every 100,000.

The general situation is, of course, rendered far more serious because of the war. In an economic vein, the Government of Viet-Nam allocates only 2% to the Ministry of Health while the U.S. AID contribution in services and medicines is somewhat larger.

The prevailing impression—and one that was contained in a recent UNICEF conference report, prepared by the Government of South Viet-Nam—is that the health of the children suffers from: 1) an absence of hygenic knowledge; 2) nutritional deficiencies (most infant deaths are the result of under nourishment, infantile beri-beri, and protein malnutrition); 3) The physical, social and pyschological effects of the war, and the inability of the existing facilities to deal with the existing conditions.

Mr. Chairman, there are two profoundly heartrending effects of this war upon the children of Viet-Nam. The first, the physical damage, I shall discuss in this section and the second, the social and pyschological destruction, I shall consider in the subsequent part.

My introduction to the extent of actual war injury was provided by Mr. Le Tuan-Anh the chief nurse at Cho-Ray Hospital in Saigon. The Cho-Ray children's ward consists of 40 beds and usually, not less than 70 to 85 children. In many instances one can encounter beds with two or even three children in them. The injuries vary. Some are the victims of grenade explosions, some are contacted by mortar fire and shrapnel and others by bomb explosions. A large number are the victims of Napalm and the more horrible white phosphorous bomb explosions. (White phosphorous is more terrifying because it does not extinguish as readily as Napalm. So long as the surface receives air it will burn.)

The children come to the hospitals of Cho-Ray, Holy Family in Qui-Nhon, Phu My, just outside of Saigon, and the others, in any number of ways and from all parts. Sometimes their families bring them—and leave them, so that the hospital is forced to begin orphanage care under very difficult conditions, such as exist at Phu My. Occasionally, friends usher them in, and frequently, they appear from out of nowhere, by themselves. They range in age from the newborn on up.

My observations indicated that the children of the Viet Cong were mixed with "loyal" Vietnamese and montegnard children and, for the most part received comparative treatment. I interviewed two "V.C." children in Holy Family Hospital (Qui-Nhon) both of whom had been terribly burned and one of whom had just undergone skin grafting. They were content with their treatment, to the extent that they did not want to return to their village which they last remembered as being an inferno.

I talked with others—always through an interpreter—and received stories of night awakenings by the "War Gong" and mad, frenzied races for cover before the attack. One 15 year old related how he awoke with the "gong", called for his mother and, then, remembered no more. At that precise moment, apparently, a bullet entered one side of this head, passed out through the other side, severing an optical nerve on its way, leaving the lad permanently blinded.

Without question, however, the greatest physical damage to children, indeed to the rural civilians, generally, who reside in the 2600 odd villages, is caused by the bombing. This is the permanent physical effect that will live for the lifetimes of the scarred bodies, and then some.

It cannot be denied, Mr. Chairman, it is happening, daily, there, and for every child that is visible in a hospital bed, there must be scores that never make it that far. It is a direct result of this conflict and I submit that we as a nation have as real a responsibility for its alleviation, as we do for its perpetration.

It is true, the most extensive medical assistance presently being provided is offered by the United States. All forms of medical are being provided in the forms of personnel, medicines, supplies and equipment. Some very fine work is being done, for example, in the areas of plastic surgery and orthopedics by Americans.

Mr. Chairman, it is not nearly enough. The number and type of facilities are clearly inadequate. The interiors of the existing hospitals are characterized by the omnipresence of flies, inadequate ventilation, and air circulation, and sanitation facilities. In immediate consideration and planning a high priority should be given to the relief of the injured children of Viet-Nam.

A Swiss organization, "Terre Des Hommes," that is dedicated to providing " * * * vigorous, immediate and direct help to the most unfortunate children," undertook its own investigation of these conditions sending two representatives to Viet-Nam on October 17, 1965. I have appended their report to this statement, (A) for the committee's consideration. They were shocked by the conditions encountered and abhorred by the inadequacy of facilities. They concluded that "* * * efficient medical and serious surgical procedures in local areas are impossible in the present circumstance."

I might add, Mr. Chairman, that in addition to waiting, each day, they are dying. Terre Des Hommes reportedly has located some 400 hospital beds in Europe and elsewhere to receive and treat immediately a beginning group that cannot be adequately treated on the scene. They requested of the United States the provision of transportation facilities for the removal of the children. From my several conversations with the Minister for Social Welfare, Mr. Tran Ngoc Lieng, I do not feel that he would oppose the removal of the children. The United States State Department has remained adamant in its refusal to cooperate with Terre Des Hommes. I have further appended correspondence on this matter, (B) and a related editorial from the (York) *Penn. Gazette and Daily* which describes a particular situation. (C) I would like to respectfully urge the Sub-Committee's consideration of the merits of the Terre Des Hommes proposal, and inquiry into the refusal of our government to assist. The evacuation for treatment program would in my judgment, immediately benefit only a small number of children involved to date, but it would constitute a beginning.

It is not enough, Mr. Chairman, to say tritely that "war is hell" and this is one of its realities. Hell is worse in some parts than others. In Viet-Nam an unusually large portion of the population are children, as was pointed out earlier. Their natural habitational places of straw and bamboo and vegetative construction tend quickly to become furnaces, and ovens. This is not and has not always been the case, where men have fought.

THE GENERAL SECURITY AND WELFARE

In a way more subtle than physical scarring, the conflict is affecting, for a long time to come the structures of the Vietnamese people. It is doing this precisely because the family is being gradually eliminated as the basic unit.

Millions of Vietnamese under 21 have never known what it is to live in peace, and have been, and are, being raised without the presence of the father. The fathers of these countless ones are, of course, dead or fighting the war. This places an enormous nationwide responsibility on the mothers, for, not only must they raise the average family of five children, but, they have also to provide for them. (The 7 piasters per refugee each week paid by the Ministry of Social Welfare, which itself receives only ½ of 1% on the total budget, even with anticipated increase is not sufficient in these inflationary times, and any way, does not reach many unclassified families.)

The result of this situation is varied, sometimes, interestingly enough, the families and friends in shelters, such as those I visited in Qui-Nhon, Binh Dinh, and Cholon, often band together and form a type of tribe or larger independent unit.

In other instances, children are separated, abandoned or left alone and they drift into the provincial towns, where they exist in packs and on their own. Every provincial town has these urchins and Saigon appears to have thousands of them. They often syndicate their business activities—shoe shining, begging, car watching, etc.—and many are as young as seven or eight. Here, the peer group, existing and sleeping in the streets, has taken the family's place.

A third effect is reflected in the number of orphanages in South Viet-Nam. There were 77 when I left and the indications are that the number will continually increase. They house between 10,000 and 10,500 children and ranged in size from 25 or 30 to several hundreds, and the children in age from the new-born to 17 or 18 year olds. I lived in one, and visited a great number of others. The care and facilities range from poor to good. Mademoiselle La Mer, the UNICEF representative to the Ministry of Social Welfare is alarmed, along with a number of others, that the authorities will sieze upon the construction of more orphanages as a solution to the problem of Viet-Nam's unattended children. This could easily happen—as I understand it did in the Korean instance—for foster parent treatment is not a part of the pattern of the Vietnamese people.

Roughly, one third of the children in the orphanages at present, have one or both parents—according to UNICEF statistics which I have appended (B); two thirds, have no

parents. Physically, it is not an unattractive thought for a parent to place her child in such a setting and keep him there until he is able to work, always refusing to allow him to be placed for adoption.

Actually, these settings breed dependence and low morale and rarely provide a minimally adequate educational program. Personal attention and care is characteristically absent. Food and shelter are provided, adequately, as a rule, but, in the makeshift "orphanages" which one often finds attached to the refugee shelters, these basic necessities are frequently absent, and the tiny beings more nearly resemble animals than humans.

There are bound to be long range effects upon a future adult population resulting from this de-familization, and de-personalization of the lives of their children. Immediately, one is quite conscious of the increasing problem of juvenile delinquency which is plaguing Minister Lieng to no end. It persists and grows in every city and provincial town.

The increasing suicide rate (not political suicide) in South Viet-Nam is also quite alarming—this is a fairly recent phenomenom which was raised by Mr. Baesjou—the UNESCO Representative, and also by Lawson Mooney the Director of Catholic Relief Services. While no accurate statistics are available, as yet, the incidence of self-destruction is growing, and of particular note and horror is the fact that mass or group suicides are becoming more common and that the participants are frequently teenagers.

With the destruction of the family, family life, veneration for age and physical removal from the ancestral burial place—the majority of Vietnamese indulge in confucianistic ancestral worship and do not attend any formal temple or church—a void in apparently created and a social reaction sets in.

These, then, are the more subtle effects of the physical conflict. The hundreds of children whom I met in various parts of the country, some briefly, some for periods of extended conversation and acquaintenceship, could best be described as solemn. How often, Lawson Mooney and I both commented on the fact that the majority of them did not know how to participate in any form of group play. Fun, was clearly not a part of their usual day; listlessness, definitely was. I taught English three evenings a week, for awhile to an interested group at Sancta Maria, and then, again, more briefly in Binh Dinh to some injured "V.C." children and found all of them to be quite responsive, after an initial period of timidity.

Mr. Chairman, the committee should briefly be aware of the very special problems facing the Eurasian children of South Viet-Nam. Simply put, they are by and large rejected by the society at this time, and frequently abandoned. This is a particularly relevant concern for the Sub-committee due to the increasing number of "Ameriasian" or half American babies presently being produced in that country. If no plan of evacuation and foster or adoptive placement, in this country or elsewhere, is devised for these who are cast aside, then, they surely will have a difficult future road to tread.

CONCLUSIONS

The effects of the conflict, Mr. Chairman, have greatly set back the capacity of the existing government to provide essential services such as education and health care, so that even at present the needs of the population are not nearly being met. In addition, the great numbers of children live daily in a situation where they could be physically brutalized at any instant. Perhaps, even more ominous is the breakdown of the family and what this portends for the future, as well as what it means right now.

By way of conclusion, Mr. Chairman, I would like to submit some proposals for the consideration of the subcommittee.

First, that a program of mass evacuation of children from South Viet-Nam be established. That it operate on the basis of established priority conditions for evacuation (i.e. the wounded, and injured; the abandoned, etc.). That it be implemented by the American Voluntary Agencies and groups such as Terre Des Hommes, in a coordinated fashion through its Council, (ACVA) with the financial support and general assistance of the U.S. Government and the cooperation of the Government of Viet-Nam.

Second, that, as a part of the first suggestion, and a natural follow up, thereto, a foster home and adoptive placement program be undertaken by some Voluntary Agencies who are specialists in this field, in the United States and elsewhere. In the meantime, available hospital and institutional places should be secured, also in the United States and elsewhere, for the children.

Third, that planning and construction of needed medical treatment facilities in Viet-Nam be greatly accelerated, and the number of medical personnel in service in that country be tremendously increased.

Fourth, that every effort be made to remove, immediately, the children from the areas of intense fighting—particularly in the Central Highlands, and the Northern five Provinces—and wherever possible, to resettle them in family units in more secure areas.

Fifth, that to more efficiently carry out the whole relief assistance program in Viet-Nam, consideration be given to the U.S. Government through AID contracting on a wider basis with the Vol-Agency community on a specialized basis for the purpose of dividing up the tasks and avoiding present duplication.

Mr. Chairman, the American Voluntary Agencies are doing yeoman work in Viet Nam. Without their presence, it is safe to say that the conditions previously described would be far worse. Catholic Relief Services alone, for example, transported and distributed 50,000,000 pounds of food, clothing, equipment and supplies last year. Similar efforts in varied fields were turned in by CARE, I.V.S., Church World Service, Foster Parents Plan and others. But, all of this is clearly, not enough. A new and full commitment is needed, Mr. Chairman, to rescue the children of Viet-Nam from a situation that is no way of their making. If ever a group of innocents had a claim on history it is these little ones. There must begin an immediate, effective and coordinated attack on these conditions, involving both in country and outside of the country programs and solutions. And all the while internal facilities are being developed to treat the maimed and scarred of tomorrow, let us remember that today's children are waiting.

APPENDIX

VIETNAMESE CHILDREN IN FIRE AND BLOOD

INTRODUCTION

A letter from the International Red Cross Committee (IRCC) to Terre des Hommes (9–2–1965) mentioned the Vietnamese provincial hospitals "crowded with wounded, particularly people suffering from extremely severe burns. There are among these many civilians and therefore many children." Burns and wounds resulted from bombs, bullets, grenades, napalm, phosphorous, flares.

2) Terre des Hommes simultaneously and in identical terms established contact with the government of the Vietnamese Republic (South), with the representative of the NLF (Vietcong) in Algiers and with the government of the Democratic Republic of Vietnam (North). It offered to each its immediate and direct help to Vietnamese children who were burnt or wounded and cannot be cared for properly in their present location.

3) The government of the Democratic Republic of Vietnam (North) did not answer this offer. The representative of the NLF's response (received after three months' delay) expressed only the desire that Terre des Hommes should make a protest with a political character. Only the government of South Vietnam gave enthusiastic support to our proposal.

4) A representative of Terre des Hommes met twice with Mr. Maunoir and Mr. Durand, delegates of the IRCC, who expressed approval of the projects of Terre des Hommes (*treatment in Europe or elsewhere of children seriously hurt but not treated, or not treatable locally.*) At the same time they asked their colleagues in Saigon to open the doors of the public health and social action ministries as well as of the Vietnamese Red Cross to Terre des Hommes.

5) Terre des Hommes then contacted (10–15–66) a representative of the State Department (Washington) at the United States Mission in Geneva, who was relatively open to our plans and asked to see us again upon our return from Vietnam. He recommended strongly that we contact Dr. J. who is an American General there.

6) Terre des Hommes reserved hospital beds in different countries (Switzerland, Austria, Germany, Belgium, Luxembourg, Holland, Denmark) and the delegates, upon their departure to Vietnam already had "in their pocket" about 400 beds. The expense of hospitalization was assumed by Terre des Hommes.

DISEASE AND REMEDY

10–17–1965 Two representatives of Terre des Hommes, one of them a surgeon, left for Vietnam.

(*a*) *Stop at Bangkok* (*Thailand*)

This stop gave us the assurance that we would be able to hospitalize and treat in Thailand a sizeable number of burned and wounded children from Vietnam, thanks to the important medical facilities and hospital possibilities in Thailand. At the end of the mission we planned to visit Bangkok again.

However, it is obvious that the European public is not likely to finance an organization that provides care several thousand miles away if it is not directly shocked by the contact with Vietnamese children treated under its eyes in Switzerland or other European countries. This contact with Vietnamese children would make it possible for the European public to "live" the suffering of these children and to associate itself with it by an act of will.

(*b*) *Visit in Vietnam*

1) In the course of numerous encounters and official interviews (minister of public health, highly placed health officials, Vietnamese heads of medical departments and hospitals, American military doctors) our projects were unanimously well received. The reason for this unanimity is the obvious impossibility in a large number of cases of practicing locally any type of really efficient medicine or serious surgery (especially orthopedic surgery) because of lack of facilities and personnel.

2) Besides orphanages and baby centers, which take in innumerable children, who are starving, very seriously ill or abandoned, we visited four provincial hospitals. Only one of these (Rach-Gia) which benefits from the presence of an American medical team, seems to operate normally. The three other hospitals (Hue, Cantho, Mytho—but particularly Hue) show the frightening spectacle of an immense distress: To the extent that one finds children burned from head to foot who are treated only with vaseline, because of lack of a) ointment for burns, b) cotton, c) gauze, d) personnel. In places, with the atmosphere of slaughter houses for people, where flies circulate freely on children who

have been skinned alive, there are no facilities for hygiene, no fans, and no air conditioning. We know, from reliable sources, that this extreme lack of facilities is repeated in many Vietnamese hospitals. This latter information was given to us by competent specialists or official people. One of them, the head doctor of a large hospital told us: "I have received many representatives from diverse institutions, but, before you, none even asked to see a single child.

3) *It is important* to be very conscious of the fact that most of the children who are wounded, burned or sick are not in hospitals (treated in hospitals). This is because they are never found, because there is no means of transportation, or because of non-existent medical or para-medical personnel and the lack of specialized equipment or sanitary facilities. These children suffer and die without care, "at home", in villages, in straw huts, etc.

4) Out of a total of 500 (800 or 1000) Vietnamese doctors only 200 minister to the needs of the civilian population (14 million) which amounts to only a little more than one doctor per 100,000 people (end of October, 1965). The other doctors are used for military needs.

5) About the same time, a little bit later, and independently of Terre des Hommes, two Dutch doctors visited Vietnam. One of them was a specialist in plastic surgery and the other an internist. Here are extracts from texts that were published upon their return in the Dutch press: "It is indescribable. Thousands of people suffering from untended burns arrive from the interior of the country. Nobody takes care of these unfortunate people because no one seems to know what could be done. In Vietnam one encounters all the forms of infectious diseases and their complications. Every tenth South Vietnamese suffers from tuberculosis. Numerous types of sickness are not treated. There is an unimaginable number of people suffering from war wounds. The few existing hospitals are overflowing with patients. It is not rare that three people share the same bed. There are practically no nurses. Most people are tended by members of their own family, who usually sleep in the hospital itself, under the bed or next to it, anywhere where they can find room. No efficient treatment of burns is used."

6) Some figures (end of October 1965) provided by authorized official sources.

Burned and wounded children: thousands (no precise census on a national scale is possible). Even if there were only hundreds our anguish and our action would already be justified;

Completely abandoned children: thousands, including 11,000 orphans;

Children suffering from tuberculosis: see above the national percentage;

Hungry children and children suffering from undernourishment: thousands (exact census is not possible);

Children suffering from infantile paralysis or serious multiple illness: number not known but obviously enormous.

Civilian refugees (adult and children) 600,000 to 800,000. Refugees without refuge and extremely miserable.

7) Like the American doctor S. (a Colonel) in Thailand, the American doctor J. (a General) and his assistant, doctor M. (a Colonel) with whom we have had lengthy meetings, were quite favorable to the projects of Terre des Hommes. Their approval, however, depended upon the agreement of the American government (personified as far as we were concerned, by the representative of the State Department in Geneva whom we had seen before leaving and who was to be contacted upon our return) to give us the help desired by our organization, namely the loan of American military medical planes. Later the Federal Office for Aeronautics (Swiss) should consent to the landing of the planes on Swiss territory. Doctor J. who is a General, thought that it is desirable to help unfortunate children in the way chosen by Terre des Hommes because "if the U.S.A. intends to send people to train leaders, this will take much time." Meanwhile the children are waiting.

8) Conclusion.

a) Efficient medical and serious surgical procedures in local areas are impossible in the present circumstances, depending upon cases and location;

b) Not only in the hospitals, but everywhere, it is urgent to detect sick, wounded or burnt children who are unattended or insufficiently cared for;

c) Relevance of the Terre des Hommes projects: transportation to Europe, Thailand and other countries of children who have been found to need care. The existing national and international help will remain for a long time incapable of coping with all cases;

d) It is illusory to imagine that external initiatives, even powerful ones, could create from nothing, a sufficient number of hospitals perfectly provided with rigging (beds, nursing and medical personnel, supplies and equipment). The present Terre des Hommes project is not new for this organization. Several years of experience have proven that it is just, humane and efficient to treat elsewhere those who because they are not attended to, where they are, suffer, wither or die. It is another illusion to wait hopefully but helplessly until "others" (governments, institutions) should "do something." Even if this "something" is presently beginning to show signs of life, although for the time being the immense and intense need cannot be met.

e) For financial reasons, it is necessary to have at our disposal free airplanes or free places in airplanes with unoccupied seats.

f) One or several competent and permanent representatives of Terre des Hommes should be sent to Vietnam.

PRESENT CONDITIONS

1) Upon our return, in spite of his own wishes, those of General J. and our own, repeated attempts at meeting the previously encountered representative from the State Department remained fruitless.

2) Several people held a meeting at Bern (11, 26, 1965) at the Political Department of the Federal Government. A representative of the Political Department, the director and two staff members of the Federal Police for Aliens, Mr. J. P. Maunoir as delegate of the IRCC, the general secretary of the Swiss Red Cross and three representatives of Terre des Hommes, as well as others did attend this meeting. The delegate of the IRCC (an organization which has been doing what it can in Vietnam) made a final declaration: "At the IRCC we think that we are bound to help those who are victims of war or of its consequences. Therefore, we approve any action that is taken either locally or abroad. If we have the means we shall help. Our rule of action is to attend to the most pressing needs; when a child is burned or wounded, it is at that very moment that he must be helped and prevented from dying. But if, besides our own efforts, there exists an organization such as Terre des Hommes which attempts long range action we give it our approval. Our delegates, if they are able to, will help the representative that you (Terre des Hommes) shall send to Vietnam to select the children."

3) On behalf of Terre des Hommes a certified nurse, Miss V. B., left for Vietnam (12, 3, 1965). Her mission (with the understanding that she would receive the help of IRCC delegates in Saigon, according to the declaration of Mr. Maunoir in Bern) was as follows:

a) To detect seriously wounded, burned, or sick Vietnamese children who are insufficiently cared for, in the hospitals of the capital and provincial cities, as well as in villages and towns.

b) To select transferable children and organize their medical and social records. To initiate necessary arrangements for their transportation and treatment in hospitals in Switzerland, Europe (or elsewhere) where, upon action from Terre des Hommes, beds have already been reserved for them.

c) To organize and activate this transportation of children.

4) Active search for free means of transportation: American military medical planes (see below), airplanes or seats aboard civilian airplanes: Swissair, Air France, Alitalia, Air-India, etc. Contacts which would probably prove fruitful in the future with the International Air Transport Association (IATA, Montreal). Terres des Hommes, which needs very large amounts of money necessary for the hospitalization and care of the children, cannot spend huge sums in travel, when every day hundreds of empty seats, which do not benefit anybody, are carried across the skies of the world at great cost. Several civilian airlines, sensitive to these considerations, are enthusiastically campaigning for this new style of human cooperation. Simultaneosuly the search for European and extra-European facilities available at the best price is continued. Terre des Hommes is expanding into other prosperous countries in order to increase appreciably the chances for the survival of children.

5) Because it was impossible to contact the delegate of the State Department who, according to General J., is the only "competent" official, Terre des Hommes wrote to President Johnson in order to obtain his personal intervention; transmission of this request was confirmed by the chief of the U.S. Mission in Geneva, following which, the much-desired encounter between the representative of Terres des Hommes and the representative of the State Department finally took place. But he is opposed to any cooperation with Terres des Hommes under the desired conditions. American help could eventually be obtained if the Terres des Hommes organization limited its efforts to local work. Therefore, in spite of the competent support of General J. for the Terre des Hommes project we shall not have the assistance of military medical planes to aid the wounded, burned or sick Vietnamese children whom we wish to help.

6) 1.7.1966—In Saigon during a cabinet meeting the definitive and official agreement to the Terre des Hommes projects by the general-prime minister of the Vietnamese Republic was announced and a permanent inter-departmental Committee is created.

7) 1.13.1966—Terre des Hommes organized in Geneva an international press conference about these subjects. The two Dutch specialists participated in this activity.

8) 1.17.1966—Letter from the White House (Washington) to Terre des Hommes: Subtle but negative answer, to the request of Terre des Hommes.

9) 1.20.1966—Pressing message from the Red Cross: "A cruel war ravages Vietnam. Civilian hospitals are overcrowded with the sick and the wounded and it is hardly possible to attempt to give the necessary treatments. Hundreds of thousands of refugees are piled up in the vicinity of large cities and survive in the greatest misery. Incalculable number of families are torn apart.

Abandoned children and orphans can no longer be counted.

10) 1.31.1966—Answer from Terre des Hommes to the White House. The text is so explicit and detailed that there was reason to conclude with "the conviction that the people and the government of the United States would assist Terre des Hommes to rescue a large number of wounded and burned Vietnamese children."

NOTES

1) The hospitalization in Europe of several hundred children shall expose them to the population of prosperous countries. As a result of having seen, known, lived with and loved these children, the people of these countries shall accept with full understanding and confidence the financing of the care that we shall offer to hundreds or thousands of other children in countries closer to their own. The physical "transfer" and the temporary "uprooting" of these children have nothing in common with the "transfers" and the "uprooting" which are caused by suffering and death.

2) We are all in agreement with respect to the principle that local work is most desirable but who has done it efficiently and sufficiently since the beginning of the war? Was there any action from those who could do something, continue to be able to do something or preach action? To organize local hospitals would be the logical and wise thing to do. But who would make the plans, draw the blueprints, supervise the construction? When? Where? And how much time would it take? Where are the funds, the supplies, the equipment and the personnel? Where can one find large numbers of available and highly trained specialists? How many are there? Where are the necessary army of male and female nurses? If it is so easy to save locally by modern means thousands of burned, wounded and sick people, children as well as adults, why has this not already been done? Now as in past centuries, whenever horrors beyond measure are encountered, it is affirmed that: "someone is going to do something about it, somewhere." Terre des Hommes has chosen to save immediately, by available means, those little ones that can be saved. There exists an irremediable difference between the notion of working "on the scene" and the need for saving people right now.

For it is not enough to shout: "Let there be a hospital!"

[Lausanne, le 1er février 1966]

JANUARY 17, 1966.

THE WHITE HOUSE,
Washington, D.C.

DEAR MR. K.: I refer to your letter of December 14, 1965, to the United States Mission, Geneva, together with copy of letter of same date addressed to President Johnson.

I understand that both you and your associate, Dr. C., have been informed through your meetings with our Mission in Geneva that the United States Government welcomes all efforts to aid the victims of Communist aggression in South Vietnam, and we commend your organization and all others which have similar humanitarian objectives to extend medical assistance to victims, particularly children.

I am sure that you were advised by the U.S. Mission in Geneva, during your visit in Vietnam and by Mr. A. S., that some thirty countries are already engaged in extending medical assistance to victims of the conflict in South Vietnam. You also have our view that the most effective way of extending assistance is on the scene in South Vietnam where children and others can be treated near their families and in familiar surroundings. However, any medical assistance given to needy Vietnamese children outside of the country is, of course, also welcome.

As Mr. S. informed Mr. C. at a meeting in Geneva on December 20, U.S. Military aircraft cannot be provided for airlift to Europe of Vietnamese children who may need medical treatment, and no United States funds are available to support your activities in Europe. On that occasion, Dr. C. informed Mr. S. that in view of unavailability of U.S. aircraft, your organization would be able to obtain commercial aircraft on a gratis basis to enable you to proceed with the airlift plan.

Accordingly, we were somewhat surprised to learn that at a press conference on January 12 in Geneva you were reported as having stated that the U.S. Government response to your request for U.S. military aircraft to airlift needy Vietnamese children to Europe is not to be considered finally "negative". In order to avoid any misunderstanding, I repeat to you Mr. S.'s advice to Dr. C. that U.S. aircraft are definitely not available for this purpose. Since neither U.S. aircraft nor U.S. funds are available in support of the activities which you plan to undertake in Europe, your plan is a matter to be decided upon by your organization and the Government of South Vietnam.

May I again take this occasion to commend you and your organization for the humanitarian activities which you are seeking to carry out. I regret that our commitments and undertakings are such that we cannot assist a project of this nature which is outside of South Vietnam, but I assure you that we are prepared to consider extending assistance to organizations which undertake humanitarian projects for the benefit of needy persons within South Vietnam.

Sincerely,

CHESTER L. COOPER.

LAUSANNE,
Jan. 31, 1966.

Mr. CHESTER L. COOPER,
The White House,
Washington, D.C. (U.S.A.)

DEAR SIR: I have the honor to acknowledge receipt of your letter of the 17th inst., the text of which constitutes the reply of the United States government to the requests we have made on behalf of Vietnamese children who have been cruelly stricken by the war. This reply calls for the following comments:

(The United States Government letter states:)

1. "We commend your organization and all others which have similar humanitarian objectives to extend medical assistance to victims, particularly children."

In other words, you agree with us in recognizing the existence of these child victims, whose number and the nature of whose sufferings have been evident to us on the scene.

(The United States Government letter states:)

2. ". . . some thirty countries are already engaged in extending medical assistance to victims of the conflict in South Vietnam."

While we give due recognition, in passing, to the commitment of these countries, we are resolved on action with respect to our own concern. Our position is especially clear in the light of the "urgent" appeal now issued by the Red Cross: "The innocent victims of the war in Viet Nam must be saved . . . A cruel war is raging in Viet Nam. Civilian hospitals are overcrowded with sick and wounded. It is scarcely possible to give necessary care any longer."

Everything presently undertaken (or planned) obviously deserves only praise, but these measures cannot be considered sufficient as long as numerous wounded or burned children remain deprived of care or effective treatment.

(The United States Government letter states:)

3. "The most effective way of extending assistance is on the scene in South Vietnam where children and others can be treated near their families and in familiar surroundings."

Our viewpoint differs from yours:

a) To help "on the scene" may appear the most logical plan of action, but it is not therefore the most "effective". For the "effective" way of extending assistance is actually to save victims through supplying treatment truly suited to the nature of the malady, under the safest technical conditions, with the aid of a sufficient number of highly specialized medical and paramedical personnel (in plastic surgery, for example). They must have modern equipment which is indispensable, and sanitary conditions that have nothing in common with the horrors of the Vietnamese hospitals we have visited (only one in four is an exception).

The "most effective" manner of saving burned or wounded children who have been insufficiently treated, not treated, or who are untreatable on the scene is obviously then to save them elsewhere, with medical and surgical procedures which are suitable and which modern science makes available.

We would further note that, according to information received from the most trustworthy authorized sources, a very great number of these wounded and burned children are not in hospitals, but are suffering (or dying) "at private homes", either because they cannot be transported to hospitals, or because overcrowded hospitals cannot receive them, or because the hospitals have no facilities for giving them proper care; care that would be dangerous in any event because of a total lack of sanitation facilities. This lack of sanitation is often accompanied by an absence of the most elementary equipment: fans, air-conditioners, protection against flies, etc.

b) The families of these children are frequently absent, far away, wounded themselves, dead or missing.

c) As for their "familiar surroundings", these may be only a straw hut or a village where one suffers or dies without assistance, or else those hospitals whose indescribable destitution makes them veritable charnel-houses for the living.

Two Dutch doctors whom we did not know made a trip to Vietnam shortly after we did, made the same observations as we did, and drew the same conclusions: there is no possibility, on the scene and in the immediate circumstances, of being able really to cope with all the problems. This explains the favorable response with which General J. and his colleagues have received our movement's program.

(The United States Government letter states:)

4. "However, any medical assistance given to needy Vietnamese children outside of the country is, of course, also welcome."

This is precisely the type of assistance which we are furnishing. And we are very much aware that it is, as you term it, "welcome."

(The United States Government letter states:)

5. "U.S. Military aircraft cannot be provided for the airlift to Europe of Vietnamese children who may need medical treatment, and no United States funds are available to support your activities in Europe."

The members of our movement—and the world will share our feelings—experience some difficulty in picturing the United States unable to furnish aircraft which might be used to transport our children, or without the financial means to support our activities in Europe, that is, to finance the chartering

of an airplane. We have never asked for funds from the United States, but simply for the loan of one or several military hospital planes, or the offer of unoccupied places in American planes.

(The United States Government letter states:)

6. "We were somewhat surprised to learn that at a press conference on January 12 in Geneva you were reported as having stated that the U.S. Government response to your request for U.S. military aircraft to airlift needy Vietnamese children to Europe is not to be considered finally negative."

At the time of that conference I declared: "I cannot bring myself to consider as absolutely negative the reply which a member of the Department of State gave us, in the name of the U.S. government.

Here are the reasons for that declaration, whose optimism will be either justified or disappointed by the future:

a) I was not able (and I am not able) to keep myself from hoping, indeed from being certain that the American people are prepared to furnish aircraft or funds for the rescue from Vietnam of burned or wounded children who at this moment cannot be saved in their own land.

b) I have good reason not to forget that part of the world owes its liberation from Hitlerian executioners to the American people. Thus, for reasons of discretion, and so to speak, in the name of the American people, I did not dare to admit publicly to the press of the world that the U.S. government has answered "NO" to the request of Terres des Hommes.

(The United States Government letter states:)

7. "U.S. aircraft are definitely not available for this purpose."

The American military air force includes hospital planes. And even if we admit that they are not available for the transportation of burned and wounded children, it would be in keeping with the humanitarian obligation toward these children of the American government and people to make these planes available.

(The United States Government letter states:)

8. "Since neither U.S. aircraft nor U.S. funds are available in support of the activities which you plan to undertake in Europe, your plan is a matter to be decided upon by your organization and the Government of South Vietnam."

Even if American aircraft and American funds cannot be used in the rescue work which has been undertaken, and taking account of the reception given by the Government of the Republic of Vietnam to the program of Terre des Hommes, we deem it useful to emphasize that our plans are far from being limited to the concerns of that government and our organization.

Indeed, without making any judgment at all on the direction of this war, we feel that the armed forces of the United States, involved in acts which have mutilated our little ones, can in no way shed that involvement when it is an urgent question of saving the lives of those children. At the very moment when it is both possible and necessary to lend support, the U.S. armed forces cannot content themselves with falling back on an organization without aircraft and without large financial support or on the government of an unfortunate people.

In conclusion, in order that you may have the opportunity to express publicly the surprise occasioned by my declaration at our press conference, I am releasing to the international press, copies of the correspondence between the U.S. Government and Terre des Hommes, together with a memorandum on our activity. All items are reproduced in full, without additions, deletions or commentary; only the names of the American General and Officers favorable to our plans are replaced by initials.

With the conviction that the people and government of the United States will want to assist Terre des Hommes to rescue a large number of wounded and burned Vietnamese children, may I assure you, Sir, of my most respectful and cordial sentiments.

TERRE DES HOMMES,
(Signed) SPOKESMAN FOR TERRE DES HOMMES.

[From the York (Pa.) Gazette and Daily]

THE MILK OF HUMAN KINDNESS FLOWS IN EUROPE—TINY VICTIMS OF U.S. NAPALM RAIDS

(By Jane Armstrong)

LONDON.—Two little faceless children from Vietnam, sent here for free plastic surgery at the famous McIndoe Burns Center, have aroused all Britain to the horrors of a war in which the innocent and young seem to be chief victims of napalm, grenades and saturation bombing.

Since British papers showed pictures of the youngsters being carried from the plane with muslin bags over their heads, money, toys and gifts have flooded the hospital at East Grinstead in Sussex. Surgeons there who are waiving the fees, already have started the delicate work of giving back to these waifs of war new, happy faces.

"We are taking special care to make them look Vietnamese," said a hospital official.

The boy, Doan Minh Luan, aged eight, who needs 12 operations, may be here for years. His face was mutilated beyond recognition in the fire in which his family were burned alive last year. Because of the war, Luan had no treatment at all for more than four months.

The girl, Tran Thi Thong, nine, was completely scarred by a grenade and has no eyelids. Her parents are peasant farmers beyond Saigon and she will go back to them eventually.

At the Burns Center where the late Sir Archibald McIndoe restored many wartime Canadian flyers, the children are private patients. Their beds, costing $135 a week each, are paid for by Lady Sainsbury, energetic wife of grocery chain millionaire.

"Now I am trying to bring in some paraplegic cases. I like doing things quickly," Lady Sainsbury told me.

She is starting a British branch of the Swiss charity Terre des Hommes (World of Mankind), which rescues child victims of war.

"We made the same offer to both North and South Vietnam," she said. "But the North won't send their children out to us. They replied with a statement of their beliefs."

Yet politics in South Vietnam almost prevented the first group of injured children leaving there too. When Swiss philanthropist Edmund Keyser, founder of Terre des Hommes, asked for help by U.S. military transport, American generals in the area at first backed the idea as good propaganda. But the final decision, like others in the Vietnam war, was made in the White House by the president. The answer was "No." Although the Americans airlift wounded Vietnamese soldiers, their policy is that civilian casualties depend for treatment on foreign medical teams sent in.

Keyser, who began saving children in the Spanish civil war, then asked world airlines for the use of their empty seats from Saigon. This was refused. Air fare alone costs nearly $1,500, so Keyser and his volunteers raised the money to charter the first flight that brought 32 Vietnamese youngsters to Geneva a month ago.

Beds were promised for them all over Europe. Italy took the sickest 16 without quarantine, despite the risk of cholera.

"The big difficulty is cost of transport," said Lady Sainsbury. Vietnam is in greatest need. The children are so terribly maimed. But our ability to help them depends on free transport or raising money ourselves."

The two little Vietnamese at East Grinstead appear to have started a substantial British effort to help others like them. Donations are rolling in, sometimes as little as sixpence from an old age pensioner.

At the Vietnamese embassy, an anonymous Englishman who lived in Saigon, mans the telephone to give progress bulletins to an avid public. There is always news to report because the seven members of the embassy visit the hospital in turn to keep the youngsters cheerful.

Luan and Thong share a sterile, sealed room overlooking the hospital gardens. He is intrigued by his new building set and she by a talking doll. But they are most fascinated by television, the first they have ever seen, and by the English bathtub in which they can splash.

The hospital staff have been astonished by their happy dispositions. Within a week, Thong was greeting the nurse in English. "Hello, one, two, three, four, five, hello." She apparently memorized this from television.

Within two weeks both children had a first successful operation to restore their upper eyelids. Luan had extra surgery to free his chin which had "melted" into his neck so that he could not close his mouth. Now he can. A Vietnamese girl student flew from Geneva for a few days so that the youngsters would not be frightened on awakening to find their eyes blindfolded. The student also set up a special menu for them of boiled rice, vegetable soup and pork.

Then there was a second operation to give them lower lids. Then skin grafting starts little by little at fortnightly intervals until September when both will be given a rest from this harrowing procedure. Eventually Luan and Thong will move into the children's ward where lots of laughter and play is encouraged so that new faces grow, looking happy.

Lady Sainsbury, who took them to hospital and telephone nearly every day, said "they are clever children, the little boy especially. They had to relearn how to raise their new eyelids which otherwise stayed closed. Luan learned in only three days and then taught the girl. She is more sensitive about her face. She was a pretty little thing.

There is, inevitably, some mystery as to who these children are and how they were chosen from thousands of other needy cases. There is only one children's hospital in South Vietnam where patients lie two in a bed and the death rate is depressingly high.

The Vietnam embassy, also in the dark, is sending reports on all the children to Saigon where it is hoped the ministry of social welfare finds it possible to inform relatives. No one can say what will happen to Luan, the orphan. There are at least 30,000 known children like him without anyone to care if they live or die. Lady Sainsbury hopes to bring over orphans for adoption here.

But the big obstacle to all these splendid plans is a lack of transport.

ANNEXE No. 3.—*Distribution des orphelins dans les orphelinats du sud Vietnam*

[+ Le pourcentage est calculé sur l'effectif total de chaque province, l'interpolation se fait avec la règle à calcul, ce qui fait que nous impliquons les décimales]

Provinces	Orphelins				Enfants Abandonnés		Enfants confiés par leurs parents		Total
	Ayant encore des proches parents		Sans proches parents						
	Nombre	Pourcentage	Nombre	Pourcentage	Nombre	Pourcentage	Nombre	Pourcentage	
Phu Yen	39	16.2	125	52.0	21	8	52	22.0	237
Da Nang	82	31.0	130	49.0	1	0.38	29	11.0	262
Quang Ngai	46	9.0	134	28.0	75	15	219	46.0	474
Gia Dinh	718	36.0	387	20.0	113	6	732	37.0	1950
Bien Hoa	47	29.0	104	62.0	3	1.7	7	4.3	161
Vinh Binh	52	85.0			5	8	4	6.0	61
Qui Nhon	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Vinh Long	24	24.0	4	4.0	12	12	60	60.0	100
Thua Thien	116	17.0	113	16.0	18	2.7	412	62.0	659
Long An	34	28.0	3	2.5	1	0.8	81	68.0	119
My Tho	18	10.0	21	12.0	89	53	40	23.0	168
Go Cong	6	10.0	18	30.0	7	11	29	48.0	60
An Xuyen	57	35.0	2	3.0	1	1.6			60
Quang Tri	19	68.0	4	14.0	3	10	2	7.0	28

[1] Results incomplete.

CONCLUSION OF MORNING BUSINESS

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

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, informed the Senate that, pursuant to the provisions of section 1, Public Law 689, 84th Congress, the Speaker had appointed Mr. HAYS, of Ohio; Mr. RODINO, of New Jersey; Mr. DENTON, of Indiana; Mr. RIVERS, of South Carolina; Mr. CLARK, of Pennsylvania; Mr. ARENDS, of Illinois; Mr. CHAMBERLAIN, of Michigan; Mr. BATES, of Massachusetts; and Mr. FINDLEY, of Illinois as members of the U.S. group of the North Atlantic Treaty Parliamentary Conference, on the part of the House.

The message announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 14596) making appropriations for the Department of Agriculture and related agencies for the fiscal year ending June 30, 1967, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. WHITTEN, Mr. NATCHER, Mr. HULL, Mr. MORRIS, Mr. MAHON, Mr. MICHEL, Mr. LANGEN, and Mr. BOW were appointed managers on the part of the House at the conference.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (S. 2663) for the relief of Dinesh Poddar and Girish Kumar Poddar.

FINANCIAL INSTITUTIONS SUPERVISORY ACT OF 1956

Mr. PROXMIRE. Mr. President, I move that the Senate proceed to the consideration of S. 3158, the unfinished business.

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

The LEGISLATIVE CLERK. A bill (S. 3158) to strengthen the regulatory and supervisory authority of Federal agencies over insured banks and insured savings and loan associations, and for other purposes.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Wisconsin.

The motion was agreed to; and the Senate resumed the consideration of the bill (S. 3158), which had been reported from the Committee on Banking and Currency, with an amendment, to strike out all after the enacting clause and insert:

That this Act may be cited as the "Financial Institutions Supervisory Act of 1966".

TITLE I—PROVISIONS RELATING TO THE FEDERAL HOME LOAN BANK BOARD AND THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

SEC. 101. Subsection (d) of section 5 of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)) is hereby amended to read as follows:

"(d)(1) The Board shall have power to enforce this section and rules and regulations made hereunder. In the enforcement of any provision of this section or rules and regulations made hereunder, or any other law or regulation, or in any other action, suit, or proceeding to which it is a party or in which it is interested, and in the administration of conservatorships and receiverships, the Board is authorized to act in its own name and through its own attorneys. Except as otherwise provided herein, the Board shall be subject to suit (other than suits on claims for money damages) by any Federal savings and loan association or director or officer thereof with respect to any matter under this section or any other applicable law, or rules or regulations thereunder, in the United States district court for the judicial district in which the home office of the association is located, or in the United States District Court for the District of Columbia, and the Board may be served with process in the manner prescribed by the Federal Rules of Civil Procedure.

"(2)(A) If, in the opinion of the Board, an association is violating or has violated, or the Board has reasonable cause to believe that the association is about to violate, a law, rule, regulation, or charter or other condition imposed in writing by the Board or written agreement entered into with the Board, or is engaging or has engaged, or the Board has reasonable cause to believe that the association is about to engage, in an unsafe or unsound practice, the Board may issue and serve upon the association a notice of charges in respect thereof. The notice shall contain a statement of the facts constituting the alleged violation or violations or the unsafe or unsound practice or practices, and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist therefrom should issue against the association. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after service of such notice unless an earlier or a later date is set by the Board at the request of the association. Unless the association shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the issuance of the cease-and-desist order. In the event of such consent, or if upon the record made at any such hearing the Board shall find that any violation or unsafe or unsound practice specified in the notice of charges has been established, the Board may issue and serve upon the association an order to cease and desist from any such violation or practice. Such order may, by provisions which may be mandatory or otherwise, require the association and its directors, officers, employees, and agents to cease and desist from the same, and, further, to take affirmative action to correct the conditions resulting from any such violation or practice.

"(B) A cease-and-desist order shall become effective at the expiration of thirty days after service of such order upon the association concerned (except in the case of a cease-and-desist order issued upon consent, which shall become effective at the time specified therein), and shall remain effective and enforceable, except to such extent as it is stayed, modified, terminated, or set aside by action of the Board or a reviewing court.

"(3)(A) Whenever the Board shall determine that the violation or threatened violation or the unsafe or unsound practice or practices, specified in the notice of charges served upon the association pursuant to paragraph (2)(A) of this subsection, or the continuation thereof, is likely to cause insolvency (as defined in paragraph (6)(A)(1) of this subsection) or substantial dissipation of assets or earnings of the association, or is likely to otherwise seriously prejudice the interests of its savings account holders, the Board may issue a temporary order requiring the association to cease and desist from any such violation or practice. Such order shall become effective upon service upon the association and, unless set aside, limited, or suspended by a court in proceedings authorized by subparagraph (B) of this paragraph, shall remain effective and enforceable pending the completion of the administrative proceedings pursuant to such notice and until such time as the Board shall dismiss the charges specified in such notice or, if a cease-and-desist order is issued against the association, until the effective date of any such order.

"(B) Within ten days after the association concerned has been served with a temporary cease-and-desist order, the association may apply to the United States district court for the judicial district in which the home office of the association is located, or the United States District Court for the District of Columbia, for an injunction setting aside, limiting, or suspending the enforcement, operation, or effectiveness of such

order pending the completion of the administrative proceedings pursuant to the notice of charges served upon the association under paragraph (2)(A) of this subsection, and such court shall have jurisdiction to issue such injunction.

"(C) In the case of violation or threatened violation of, or failure to obey, a temporary cease-and-desist order, the Board may apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the association is located, for an injunction to enforce such order, and, if the court shall determine that there has been such violation or threatened violation or failure to obey, it shall be the duty of the court to issue such injunction.

"(4)(A) Whenever, in the opinion of the Board, any director or officer of an association has committed any violation of law, rule, or regulation, or of a cease-and-desist order which has become final, or has engaged or participated in any unsafe or unsound practice in connection with the association, or has committed or engaged in any act, omission, or practice which constitutes a breach of his fiduciary duty as such director or officer, and the Board determines that the association has suffered or will probably suffer substantial financial loss or other damage or that the interests of its savings account holders could be seriously prejudiced by reason of such violation or practice or breach of fiduciary duty, and that such violation or practice or breach of fiduciary duty is one involving personal dishonesty on the part of such director or officer, the Board may serve upon such director or officer a written notice of its intention to remove him from office.

"(B) Whenever, in the opinion of the Board, any director or officer of an association, by conduct or practice with respect to another savings and loan association or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to continue as a director or officer, and, whenever, in the opinion of the Board, any other person participating in the conduct of the affairs of an association, by conduct or practice with respect to such association or other savings and loan association or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to participate in the conduct of the affairs of such association, the Board may serve upon such director, officer, or other person a written notice of its intention to remove him from office and/or to prohibit his further participation in any manner in the conduct of the affairs of such association.

"(C) In respect to any director or officer of an association or any other person referred to in subparagraph (A) or (B) of this paragraph, the Board may, if it deems it necessary for the protection of the association or the interests of its savings account holders, by written notice to such effect served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the association. Such suspension and/or prohibition shall become effective upon service of such notice and, unless stayed by a court in proceedings authorized by subparagraph (E) of this paragraph, shall remain in effect pending the completion of the administrative proceedings pursuant to the notice served under subparagraph (A) or (B) of this paragraph and until such time as the Board shall dismiss the charges specified in such notice, or, if an order of removal and/or prohibition is issued against the director or officer or other person, until the effective date of any such order. Copies of any such notice shall also be served upon the association of which he is a director or officer or in the conduct of whose affairs he has participated.

"(D) A notice of intention to remove a director, officer, or other person from office and/or to prohibit his participation in the conduct of the affairs of an association, shall contain a statement of the facts constituting grounds therefor, and shall fix a time and place at which a hearing will be held thereon. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after the date of service of such notice unless an earlier or a later date is set by the Board at the request of (i) such director, officer, or other person, and for good cause shown, or (ii) the Attorney General of the United States. Unless such director, officer, or other person shall appear at the hearing in person or by a duly authorized representative, he shall be deemed to have consented to the issuance of an order of such removal and/or prohibition. In the event of such consent, or if upon the record made at any such hearing the Board shall find that any of the grounds specified in such notice has been established, the Board may issue such orders of suspension or removal from office, and/or prohibition from participation in the conduct of the affairs of the association, as it may deem appropriate. Any such order shall become effective at the expiration of thirty days after service upon such association and the director, officer, or other person concerned (except in the case of an order issued upon consent, which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the Board or a reviewing court.

"(E) Within ten days after any director, officer, or other person has been suspended from office and/or prohibited from participation in the conduct of the affairs of an association under subparagraph (C) of this paragraph, such director, officer, or other person may apply to the United States district court for the judicial district in which the home office of the association is located, or the United States District Court for the District of Columbia, for a stay of such suspension and/or prohibition pending the completion of the administrative proceedings pursuant to the notice served upon such director, officer, or other person under subparagraph (A) or (B) of this paragraph, and such court shall have jurisdiction to stay such suspension and/or prohibition.

"(5)(A) Whenever any director or officer of an association, or other person participating in the conduct of the affairs of such association, is charged in any information, indictment, or complaint authorized by a United States Attorney, with the commission of or participation in a felony involving dishonesty or breach of trust, the Board may, by written notice served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the association. A copy of such notice shall also be served upon the association. Such suspension and/or prohibition shall remain in effect until such information, indictment, or complaint is finally disposed of or until terminated by the Board. In the event that a judgment of conviction with respect to such offense is entered against such director, officer, or other person, and at such time as such judgment is not subject to further appellate review, the Board may issue and serve upon such director, officer, or other person an order removing him from office and/or prohibiting him from further participation in any manner in the conduct of the affairs of the association except with the consent of the Board. A copy of such order shall be served upon such association, whereupon such director or officer shall cease to be a director or officer of such association. A finding of not guilty or other disposition of the charge shall not preclude the Board from thereafter instituting proceedings to remove such director, officer, or other person from office and/or to prohibit further participation in association affairs, pursuant to subparagraph (A) or (B) of paragraph (4) of this subsection.

"(B) If at any time, because of the suspension of one or more directors pursuant to this subsection (d), there shall be on the board of directors of an association less than a quorum of directors not so suspended, all powers and functions vested in or exercisable by such board shall vest in and be exercisable by the director or directors on the board and not so suspended, until such time as there shall be a quorum of the board of directors. In the event all of the directors of an association are suspended pursuant to this subsection (d), the Board shall appoint persons to serve temporarily as directors in their place and stead pending the termination of such suspensions, or until such time as those who have been suspended cease to be directors of the association and their respective successors take office.

"(6)(A) The grounds for the appointment of a conservator or receiver for an association shall be one or more of the following: (i) insolvency in that the assets of the association are less than its obligations to its creditors and others, including its members; (ii) substantial dissipation of assets or earnings due to any violation or violations of law, rules, or regulations, or to any unsafe or unsound practice or practices; (iii) an unsafe or unsound condition to transact business; (iv) willful violation of a cease-and-desist order which has become final; (v) concealment of books, papers, records, or assets of the association or refusal to submit books, papers, records, or affairs of the association for inspection to any examiner or to any lawful agent of the Board. The Board shall have exclusive power and jurisdiction to appoint a conservator or receiver. If, in the opinion of the Board, a ground for the appointment of a conservator or receiver as herein provided exists, the Board is authorized to appoint ex parte and without notice a conservator or receiver for the association. In the event of such appointment, the association may, within thirty days thereafter, bring an action in the United States district court for the judicial district in which the home office of such association is located, or in the United States District Court for the District of Columbia, for an order requiring the Board to remove such conservator or receiver, and the court shall upon the merits dismiss such action or direct the Board to remove such conservator or receiver. Such proceedings shall be given precedence over other cases pending in such courts, and shall be in every way expedited. Upon the commencement of such an action, the court having jurisdiction of any other action or proceeding authorized under this subsection to which the association is a party shall stay such action or proceeding during the pendency of the action for removal of the conservator or receiver.

"(B) In addition to the foregoing provisions the Board may, without any requirement of notice, hearing, or other action, appoint a conservator or receiver for an association in the event that (i) the association, by resolution of its board of directors or of its members, consents to such appointment, or (ii) the association is removed from membership in any Federal home loan bank, or its status as an institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation is terminated.

"(C) Except as otherwise provided in this subsection, no court may take any action for or toward the removal of any conservator or receiver, or, except at the instance of the

Board, restrain or affect the exercise of powers or functions of a conservator or receiver.

"(D) A conservator shall have all the powers of the members, the directors, and the officers of the association and shall be authorized to operate the association in its own name or to conserve the assets in the manner and to the extent authorized by the Board. The Board shall appoint only the Federal Savings and Loan Insurance Corporation as receiver for an association, and said Corporation shall have power to buy at its own sale as receiver, subject to approval by the Board. The Board may, without any requirement of notice, hearing, or other action, replace a conservator with another conservator or with a receiver, but any such replacement shall not affect any right which the association may have to obtain judicial review of the original appointment, except that any removal under this paragraph (6) shall be removal of the conservator or receiver in office at the time of such removal.

"(7)(A) Any hearing provided for in this subsection (d) shall be held in the Federal judicial district or in the territory in which the home office of the association is located unless the party afforded the hearing consents to another place, and shall be conducted in accordance with the provisions of the Administrative Procedure Act; but such hearing shall be private, unless a public hearing is agreed to by the party afforded the hearing and by the Board. After such hearing, and within ninety days after the Board has notified the parties that the case has been submitted to it for final decision, the Board shall render its decision (which shall include findings of fact upon which its decision is predicated) and shall issue and cause to be served upon each party to the proceeding an order or orders consistent with the provisions of this subsection. Judicial review of any such order shall be exclusively as provided in this paragraph (7). Unless a petition for review is timely filed in a court of appeals of the United States, as hereinafter provided in subparagraph (B) of this paragraph, and thereafter until the record in the proceeding has been filed as so provided, the Board may at any time, upon such notice and in such manner as it shall deem proper, modify, terminate, or set aside any such order. Upon such filing of the record, the Board may modify, terminate, or set aside any such order with permission of the court.

"(B) Any party to the proceeding, or any person required by an order issued under this subsection to cease and desist from any of the violations or practices stated therein, may obtain a review of any order served pursuant to subparagraph (A) of this paragraph (other than an order issued with the consent of the association or the director or officer or other person concerned, or an order issued under paragraph (5)(A) of this subsection), by filing in the court of appeals of the United States for the circuit in which the home office of the association is located, or in the United States Court of Appeals for the District of Columbia Circuit, within thirty days after the date of service of such order, a written petition praying that the order of the Board be modified, terminated, or set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Board, and thereupon the Board shall file in the court the record in the proceeding, as provided in section 2112 of title 28 of the United States Code. Upon the filing of such petition, such court shall have jurisdiction, which upon the filing of the record shall except as provided in the last sentence of said subparagraph (A) be exclusive, to affirm, modify, terminate, or set aside, in whole or in part, the order of the Board. Review of such proceedings shall be had as provided in the Administrative Procedure Act. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari as provided in section 1254 of title 28 of the United States Code.

"(C) The commencement of proceedings for judicial review under subparagraph (B) of this paragraph shall not, unless specifically ordered by the court, operate as a stay of any order issued by the Board.

"(8) The Board may in its discretion apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the association is located, for the enforcement of any effective and outstanding notice or order issued by the Board under this subsection (d), and such courts shall have jurisdiction and power to order and require compliance therewith; but except as otherwise provided in this subsection no court shall have jurisdiction to affect by injunction or otherwise the issuance or enforcement of any notice or order under this subsection, or to review, modify, suspend, terminate, or set aside any such notice or order. Any court having jurisdiction of any proceeding instituted under this subsection by an association or a director or officer thereof, may allow to any such party such reasonable expense and attorneys' fees as it deems just and proper; and such expenses and fees shall be paid by the association or from its assets.

"(9) In the course of or in connection with any proceeding under this subsection, the Board or any member thereof or a designated representative of the Board, including any person designated to conduct any hearing under this subsection, shall have power to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpenas and subpenas duces tecum; and the Board is empowered to make rules and regulations with respect to any such proceedings. The attendance of witnesses and the production of documents provided for in this paragraph may be required from any place in any State or in any territory at any designated place where such proceeding is being conducted. Any party to proceedings under this subsection may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted or where the witness resides or carries on business, for enforcement of any subpena or subpena duces tecum issued pursuant to this paragraph, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpenaed under this paragraph shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. All expenses of the Board or of the Federal Savings and Loan Insurance Corporation in connection with this subsection shall be considered as nonadministrative expenses.

"(10) Any service required or authorized to be made by the Board under this subsection may be made by registered mail, or in such other manner reasonably calculated to give actual notice as the Board may by regulation or otherwise provide.

"(11) The Board shall have power to make rules and regulations for the reorganization, consolidation, liquidation, and dissolution of associations, for the merger of associations with other institutions the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, for associations in conservatorship and receivership, and for the conduct of conservatorships and receiverships; and the Board may, by regulation or otherwise, provide for the exercise of functions by members, directors, or officers of an association during conservatorship and receivership.

"(12)(A) Any director or officer, or former director or officer, of an association, or any other person, against whom there is outstanding and effective any notice or order (which is an order which has become final) served upon such director, officer, or other person under paragraph (4)(C), (4)(D), or (5)(A) of this subsection, and who (i) participates in any manner in the conduct of the affairs of such association, or directly or indirectly solicits or procures, or transfers or attempts to transfer, or votes or attempts to vote any proxies, consents, or authorizations in respect of any voting rights in such association, or (ii) without the prior written approval of the Board, votes for a director or serves or acts as a director, officer, or employee of any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, shall upon conviction be fined not more than $5,000 or imprisoned for not more than one year, or both.

"(B) Except with the prior written consent of the Board, no person shall serve as a director, officer, or employee of an association who has been convicted, or who is hereafter convicted, of a criminal offense involving dishonesty or a breach of trust. For each willful violation of this prohibition, the association involved shall be subject to a penalty of not more than $100 for each day this prohibition is violated, which the Board may recover by suit or otherwise for its own use.

"(C) Whenever a conservator or receiver appointed by the Board demands possession of the property, business, and assets of any association, or of any part thereof, the refusal by any director, officer, employee, or agent of such association to comply with the demand shall be punishable by a fine of not more than $5,000 or imprisonment for not more than one year, or both.

"(13)(A) As used in this subsection—

"(1) The terms 'cease-and-desist order which has become final' and 'order which has become final' mean a cease-and-desist order, or an order, issued by the Board with the consent of the association or the director or officer or other person concerned, or with respect to which no petition for review of the action of the Board has been filed and perfected in a court of appeals as specified in paragraph (7)(B) of this subsection, or with respect to which the action of the court in which said petition is so filed is not subject to further review by the Supreme Court of the United States in proceedings provided for in said paragraph, or an order issued under paragraph (5)(A) of this subsection.

"(2) The term 'territory' includes the Commonwealth of Puerto Rico, and any possession of the United States or any place subject to the jurisdiction of the United States.

"(B) As used in paragraph (4) of this subsection, the term 'violation' includes without limitation any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

"(14) As used in this subsection, the terms 'Federal savings and loan association' and 'association' shall include any institution with respect to which the Federal Home Loan Bank Board now or hereafter has any statutory power of examination or supervision under any Act or joint resolution of Congress other than this Act, the Federal Home Loan Bank Act, and the National Housing Act. For the purposes of this paragraph (14), references in this subsection to directors, officers, employees, and agents, or to former directors or officers, of associations shall be deemed to be references respectively to directors, officers, employees, and agents, or to former directors or officers, of such institutions, references therein to savings account holders and to members of associations shall be deemed to be references to holders

of withdrawable accounts in such institutions, and references therein to boards of directors of associations shall be deemed to be references to boards of directors or other governing boards of such institutions. Said Board shall have power by regulation to define, for the purposes of this paragraph (14), terms used or referred to in the sentence next preceding and other terms used in this subsection.

"(15) The provisions of this subsection, as amended by the amendment by which this sentence is added, shall not be applicable to or with respect to any proceeding for the appointment of a conservator or receiver pending immediately prior to the effective date of said amendment or any conservator or receiver appointed as a result of such proceeding, or to or with respect to any supervisory representative in charge, conservator, or receiver in office immediately prior to said date, or any successor of any of the same, or to the appointment of any such successor, and the provisions of this subsection as in effect immediately prior to said date shall be and remain applicable to all of the foregoing."

SEC. 102. Section 407 of the National Housing Act (12 U.S.C. 1730) is hereby amended to read as follows:

"SEC. 407. TERMINATION OF INSURANCE AND ENFORCEMENT PROVISIONS.—

"(a) VOLUNTARY TERMINATION OF INSURANCE.—Any insured institution other than a Federal savings and loan association may terminate its status as an insured institution by written notice to the Corporation specifying a date for such termination.

"(b) INVOLUNTARY TERMINATION OF INSURANCE; NOTICE AND HEARING.—(1) Whenever, in the opinion of the Corporation, any insured institution has violated its duty as such or is engaging or has engaged in an unsafe or unsound practice in conducting the business of such institution, or is in an unsafe or unsound condition to continue operations as an insured institution, or is violating or has violated an applicable law, rule, regulation, or order, or any condition imposed in writing by the Corporation or any written agreement entered into with the Corporation, including any agreement entered into under section 403 of this title, the Corporation shall serve upon the institution a statement with respect to such violations or practices or conditions for the purpose of securing the correction thereof, and shall send a copy of such statement to the appropriate State supervisory authority.

"(2) Unless such correction shall be made within one hundred and twenty days after service of such statement, or such shorter period of not less than twenty days after such service as (A) the Corporation shall require in any case where the Corporation determines that its insurance risk with respect to such institution could be unduly jeopardized by further delay in the correction of such violations or practices or conditions, or (B) the appropriate State supervisory authority shall require, or unless within such time the Corporation shall have received acceptable assurances that such correction will be made within a time and in a manner satisfactory to the Corporation, or in the event such assurances are submitted to and accepted by the Corporation but are not carried out in accordance with their terms, the Corporation may, if it shall determine to proceed further, issue and serve upon the institution written notice of intention to terminate the status of the institution as an insured institution.

"(3) Such notice shall contain a statement of the facts constituting the alleged violation or violations or the unsafe or unsound practice or practices or condition, and shall fix a time and place for a hearing thereon. Such hearing shall be fixed for a date not earlier than thirty days after service of such notice. Unless the institution shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured institution. In the event of such consent, or if upon the record made at any such hearing the Corporation shall find that any violation or unsafe or unsound practice or condition specified in such notice has been established and has not been corrected within the time above prescribed in which to make correction, the Corporation may issue and serve upon the institution an order terminating the status of the institution as an insured institution; but any such order shall not become effective until it is an order which has become final (except in the case of an order of terminaton issued upon consent, which shall become effective at the time specified therein).

"(c) DATE OF TERMINATION OF INSURED STATUS.—The effective date of the termination of an institution's status as an insured institution under the foregoing provisions of this section shall be the date specified for such termination in the notice by the institution to the Corporation as provided in subsection (a) of this section, or the date upon which an order of termination issued under subsection (b)(3) of this section becomes effective. The Corporation may from time to time postpone the effective date of the termination of an institution's status as an insured institution at any time before such termination has become effective, but in the case of termination by notice given by the institution such effective date shall be postponed only with the written consent of the institution.

"(d) CONTINUATION OF INSURANCE; EXAMINATION; NOTICE TO MEMBERS; AND PAYMENT OF PREMIUMS.—In the event of the termination of an institution's status as an insured institution, insurance of its accounts to the extent that they were insured on the effective date of such termination as hereinabove provided in subsection (c), less any amounts thereafter withdrawn, repurchased, or redeemed, shall continue for a period of two years, but no investments or deposits made after such date shall be insured. The Corporation shall have the right to examine such institution from time to time during the two-year period aforesaid. Such insured institution shall be obligated to pay, within thirty days after the effective date of such termination, as a final insurance premium, a sum equivalent to twice the last annual insurance premium payable by it. In the event of the termination of insurance of accounts as herein provided the institution which was the insured institution shall give prompt and reasonable notice to all of its insured members that it has ceased to be an insured institution and it may include in such notice the fact that insured accounts, to the extent not withdrawn, repurchased or redeemed, remain insured for two years from the date of such termination, but it shall not further represent itself in any manner as an insured institution. In the event of failure to give the notice to insured members as herein provided the Corporation is authorized to give reasonable notice.

"(e) CEASE-AND-DESIST PROCEEDINGS.—(1) If, in the opinion of the Corporation, any insured institution or any institution any of the accounts of which are insured is engaging or has engaged, or the Corporation has reasonable cause to believe that the institution is about to engage, in an unsafe or unsound practice in conducting the business of such institution, or is violating or has violated, or the Corporation has reasonable cause to believe that the institution is about to violate, a law, rule, or regulation, or any condition imposed in writing by the Corporation or written agreement entered into with the Corporation, including any agreement entered into under section 403 of this title, the Corporation may issue and serve upon the institution a notice of charges in respect thereof. The notice shall contain a statement of the facts constituting the alleged violation or violations or the unsafe or unsound practice or practices, and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist therefrom should issue against the institution. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after service of such notice unless an earlier or a later date is set by the Corporation at the request of the institution. Unless the institution shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the issuance of the cease-and-desist order. In the event of such consent, or if upon the record made at any such hearing the Corporation shall find that any violation or unsafe or unsound practice specified in the notice of charges has been established, the Corporation may issue and serve upon the institution on order to cease and desist from any such violation or practice. Such order may, by provisions which may be mandatory or otherwise, require the institution and its directors, officers, employees, and agents to cease and desist from the same, and, further, to take affirmative action to correct the conditions resulting from any such violation or practice.

"(2) A cease-and-desist order shall become effective at the expiration of thirty days after service of such order upon the institution concerned (except in the case of a cease-and-desist order issued upon consent, which shall become effective at the time specified therein), and shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the Corporation or a reviewing court.

"(f) TEMPORARY CEASE-AND-DESIST ORDERS.—(1) Whenever the Corporation shall determine that the violation or threatened violation or the unsafe or unsound practice or practices, specified in the notice of charges served upon the institution pursuant to subsection (e)(1) of this section, or the continuation thereof, is likely to cause insolvency or substantial dissipation of assets or earnings of the institution, or is likely to otherwise seriously prejudice the interest of its insured members or of the Corporation, the Corporation may issue a temporary order requiring the institution to cease and desist from any such violation or practice. Such order shall become effective upon service upon the institution and, unless set aside, limited, or suspended by a court in proceedings authorized by paragraph (2) of this subsection, shall remain effective and enforceable pending the completion of the administrative proceedings pursuant to such notice and until such time as the Corporation shall dismiss the charges specified in such notice or, if a cease-and-desist order is issued against the institution, until the effective date of any such order.

"(2) Within ten days after the institution concerned has been served with a temporary cease-and-desist order, the institution may apply to the United States district court for the judicial district in which the principal office of the institution is located, or the United States District Court for the District of Columbia, for an injunction setting aside, limiting, or suspending the enforcement, operation, or effectiveness of such order pending the completion of the administrative proceedings pursuant to the notice of charges served upon the institution under subsection (e)(1) of this section, and such court shall have jurisdiction to issue such injunction.

"(3) In the case of violation or threatened violation of, or failure to obey, a temporary cease-and-desist order, the Corporation may apply to the United States district

court, or the United States court of any territory, within the jurisdiction of which the principal office of the institution is located, for an injunction to enforce such order, and, if the court shall determine that there has been such violation or threatened violation or failure to obey, it shall be the duty of the court to issue such injunction.

"(g) SUSPENSION OR REMOVAL OF DIRECTOR OR OFFICER.—(1) Whenever, in the opinion of the Corporation, any director or officer of an insured institution has committed any violation of law, rule, or regulation, or of a cease-and-desist order which has become final, or has engaged or participated in any unsafe or unsound practice in connection with the institution, or has committed or engaged in any act, omission, or practice which constitutes a breach of his fiduciary duty as such director or officer, and the Corporation determines that the institution has suffered or will probably suffer substantial financial loss or other damage or that the interests of its insured members could be seriously prejudiced by reason of such violation or practice or breach of fiduciary duty, and that such violation or practice or breach of fiduciary duty is one involving personal dishonesty on the part of such director or officer, the Corporation may serve upon such director or officer a written notice of its intention to remove him from office.

"(2) Whenever, in the opinion of the Corporation, any director or officer of an insured institution, by conduct or practice with respect to another insured institution or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to continue as a director or officer, and, whenever, in the opinion of the Corporation, any other person participating in the conduct of the affairs of an insured institution, by conduct or practice with respect to such institution or other insured institution or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to participate in the conduct of the affairs of such insured institution, the Corporation may serve upon such director, officer, or other person a written notice of its intention to remove him from office and/or to prohibit his further participation in any manner in the conduct of the affairs of such institution.

"(3) In respect to any director or officer of an insured institution or any other person referred to in paragraph (1) or (2) of this subsection, the Corporation may, if it deems it necessary for the protection of the institution or the interests of its insured members or of the Corporation, by written notice to such effect served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the institution. Such suspension and/or prohibition shall become effective upon service of such notice and, unless stayed by a court in proceedings authorized by paragraph (5) of this subsection, shall remain in effect pending the completion of the administrative proceedings pursuant to the notice served under paragraph (1) or (2) of this subsection and until such time as the Corporation shall dismiss the charges specified in such notice, or, if an order of removal and/or prohibition is issued against the director or officer or other person, until the effective date of any such order. Copies of any such notice shall also be served upon the institution of which he is a director or officer or in the conduct of whose affairs he has participated.

"(4) A notice of intention to remove a director, officer, or other person from office and/or to prohibit his participation in the conduct of the affairs of an insured institution, shall contain a statement of the facts constituting grounds therefor, and shall fix a time and place at which a hearing will be held thereon. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after the date of service of such notice, unless an earlier or a later date is set by the Corporation at the request of (A) such director, officer, or other person and for good cause shown, or (B) the Attorney General of the United States. Unless such director, officer, or other person shall appear at the hearing in person or by a duly authorized representative, he shall be deemed to have consented to the issuance of an order of such removal and/or prohibition. In the event of such consent, or if upon the record made at any such hearing the Corporation shall find that any of the grounds specified in such notice has been established, the Corporation many issue such orders of suspension or removal from office, and/or prohibition from participation in the conduct of the affairs of the institution, as it may deem appropriate. Any such order shall become effective at the expiration of thirty days after service upon such institution and the director, officer, or other person concerned (except in the case of an order issued upon consent, which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the Corporation or a reviewing court.

"(5) Within ten days after any director, officer, or other person has been suspended from office and/or prohibited from participation in the conduct of the affairs of an insured institution under paragraph (3) of this subsection, such director, officer, or other person may apply to the United States district court for the judicial district in which the principal office of the institution is located, or the United States District Court for the District of Columbia, for a stay of such suspension and/or prohibition pending the completion of the administrative proceedings pursuant to the notice served upon such director, officer, or other person under paragraph (1) or (2) of this subsection, and such court shall have jurisdiction to stay such suspension and/or prohibition.

"(h) SUSPENSION OF DIRECTOR OR OFFICER CHARGED WITH FELONY.—Whenever any director or officer of an insured institution, or other person participating in the conduct of the affairs of such institution, is charged in any information, indictment, or complaint authorized by a United States Attorney, with the commission of or participation in a felony involving dishonesty or breach of trust, the Corporation may, by written notice served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the institution. A copy of such notice shall also be served upon the institution. Such suspension and/or prohibition shall remain in effect until such information, indictment, or complaint is finally disposed of or until terminated by the Corporation. In the event that a judgment of conviction with respect to such offense is entered against such director, officer, or other person, and at such time as such judgment is not subject to further appellate review, the Corporation may issue and serve upon such director, officer, or other person an order removing him from office and/or prohibiting him from further participation in any manner in the conduct of the affairs of the institution except with the consent of the Corporation. A copy of such order shall also be served upon such institution, whereupon such director or officer shall cease to be a director or officer of such institution. A finding of not guilty or other disposition of the charge shall not preclude the Corporation from thereafter instituting proceedings to remove such director, officer, or other person from office and/or to prohibit further participation in institution affairs, pursuant to paragraph (1) or (2) of subsection (g) of this section.

"(i) TERMINATION OF FEDERAL HOME LOAN BANK MEMBERSHIP.—Termination under this section or otherwise of the status of an institution as an insured institution shall automatically constitute a removal under subsection (i) of section 6 of the Federal Home Loan Bank Act of the institution from Federal home loan bank membership, if at the time of such termination such institution is a member of a Federal home loan bank; and removal of an institution from Federal home loan bank membership under subsection (i) of section 6 of the Federal Home Loan Bank Act or otherwise shall automatically constitute an order of termination under this section of the status of such institution as an insured institution, if such institution is at the time of such removal an insured institution.

"(j) HEARINGS AND JUDICIAL REVIEW.—(1) Any hearing provided for in this section shall be held in the Federal judicial district or in the territory in which the principal office of the institution is located unless the party afforded the hearing consents to another place, and shall be conducted in accordance with the provisions of the Administrative Procedure Act; but such hearing shall be private, unless a public hearing is agreed to by the party afforded the hearing and by the Corporation. After such hearing, and within ninety days after the Corporation has notified the parties that the case has been submitted to it for final decision, the Corporation shall render its decision (which shall include findings of fact upon which its decision is predicated) and shall issue and cause to be served upon each party to the proceeding an order or orders consistent with the provisions of this section. Judicial review of any such order shall be exclusively as provided in this subsection. Unless a petition for review is timely filed in a court of appeals of the United States, as hereinafter provided in paragraph (2) of this subsection, and thereafter until the record in the proceeding has been filed as so provided, the Corporation may at any time, upon such notice and in such manner as it shall deem proper, modify, terminate, or set aside any such order. Upon such filing of the record, the Corporation may modify, terminate, or set aside any such order with permission of the court.

"(2) Any party to the proceeding, or any person required by an order issued under this section to cease and desist from any of the violations or practices stated therein, may obtain a review of any order served pursuant to paragraph (1) of this subsection (other than an order issued with the consent of the institution or the director or officer or other person concerned, or an order issued under subsection (h) of this section), by filing in the court of appeals of the United States for the circuit in which the principal office of the institution is located, or in the United States Court of Appeals for the District of Columbia Circuit, within thirty days after the date of service of such order, a written petition praying that the order of the Corporation be modified, terminated, or set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Corporation, and thereupon the Corporation shall file in the court the record in the proceeding, as provided in section 2112 of title 28 of the United States Code. Upon the filing of such petition, such court shall have jurisdiction, which upon the filing of the record shall, except as provided in the last sentence of said paragraph (1), be exclusive, to affirm, modify, terminate, or set aside,

in whole or in part, the order of the Corporation. Review of such proceedings shall be had as provided in the Administrative Procedure Act. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari as provided in section 1254 of title 28 of the United States Code.

"(3) The commencement of proceedings for judicial review under paragraph (2) of this subsection shall not, unless specifically ordered by the court, operate as a stay of any order issued by the Corporation.

"(k) JURISDICTION AND ENFORCEMENT.—(1) Notwithstanding any other provision of law, (A) the Corporation shall be deemed to be an agency of the United States within the meaning of section 451 of title 28 of the United States Code; (B) any civil action, suit, or proceeding to which the Corporation shall be a party shall be deemed to arise under the laws of the United States, and the United States district courts shall have original jurisdiction thereof, without regard to the amount in controversy; and (C) the Corporation may, without bond or security, remove any such action, suit, or proceeding from a State court to the United States district court for the district and division embracing the place where the same is pending by following any procedure for removal now or hereafter in effect: *Provided*, That any action, suit, or proceeding to which the Corporation is a party in its capacity as conservator, receiver, or other legal custodian of an insured State-chartered institution and which involves only the rights or obligations of investors, creditors, stockholders, and such institution under State law shall not be deemed to arise under the laws of the United States. No attachment or execution shall be issued against the Corporation or its property before final judgment in any action, suit, or proceeding in any court of any State of the United States or any territory, or any other court.

"(2) The Corporation may, in its discretion, apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the principal office of the institution is located, for the enforcement of any effective and outstanding notice or order issued by the Corporation under this section, and such courts shall have jurisdiction and power to order and require compliance therewith; but except as otherwise provided in this section no court shall have jurisdiction to affect by injunction or otherwise the issuance or enforcement of any notice or order under this section, or to review, modify, suspend, terminate, or set aside any such notice or order.

"(l) REPORTING REQUIREMENTS.—(1) Whenever a change occurs in the outstanding voting stock of any insured institution which will result in control or a change in the control of such institution, the president or other chief executive officer, of such institution shall promptly report such facts to the Corporation upon obtaining knowledge of such change. As used in this subsection, the term 'control' means the power to directly or indirectly direct or cause the direction of the management or policies of the insured institution. If there is any doubt as to whether a change in ownership or other change in the outstanding voting stock of any insured institution is sufficient to result in control or a change in the control thereof, such doubt shall be resolved in favor of reporting the facts to the Corporation.

"(2) Whenever an insured institution or an insured bank of the Federal Deposit Insurance Corporation makes a loan or loans secured (or to be secured) by 25 per centum or more of the voting stock of an insured institution, the president or other chief executive officer of the lending insured institution or insured bank shall promptly report such fact to the Corporation upon obtaining knowledge of such loan or loans, except that no report need be made in those cases where the borrower has been the owner of record of the stock for a period of one year or more, or the stock is of a newly organized insured institution prior to its opening.

"(3) The reports required by paragraphs (1) and (2) of this subsection shall contain the following information to the extent that it is known by the person making the report: (A) the number of shares involved, (B) the names of the sellers (or transferors), (C) the names of the purchasers (or transferees), (D) the names of the beneficial owners if the shares are of record in another name or other names, (E) the purchase price, (F) the total number of shares owned by the sellers (or transferors), the purchasers (or transferees) and the beneficial owners both immediately before and after the transaction, and in the case of a loan, (G) the name of the borrower, (H) the amount of the loan, and (I) the name of the institution issuing the stock securing the loan and the number of shares securing the loan. In addition to the foregoing, such reports shall contain such other information as may be available to inform the Corporation of the effect of the transaction upon control of the institution whose stock is involved. The reports required by this subsection shall be in addition to any reports that may be required pursuant to other provisions of law.

"(4) Whenever such a change as is described in paragraph (1) of this subsection occurs, the insured institution involved shall report promptly to the Corporation any change or changes, or replacement or replacements, of its chief executive officer or of any director occurring in the next twelve-month period, including in its report a statement of the past and current business and professional affiliation of the new chief executive officer or director.

"(5) Without limitation by or on the foregoing provisions of this subsection, the Corporation may require insured institutions and individuals or other persons who have or have had any connection with the management of any insured institution, as defined by the Corporation, to provide, in such manner and under such civil penalties (which shall be cumulative to any other remedies) as the Corporation may prescribe, such periodic or other reports and disclosures as the Corporation may determine to be necessary or appropriate for the protection of investors or the Corporation.

"(6) As used in this subsection, the term 'stock' means such stock or other equity securities or equity interests in an insured institution, or rights, interests, or powers with respect thereto, regardless of whether such institution is a stock company, a mutual institution, or otherwise, as the Corporation may by regulation define for the purposes of this subsection.

"(m) ANCILLARY PROVISIONS.—(1) In making examinations of insured institutions, examiners appointed by the Federal Home Loan Bank Board shall have power, on behalf of the corporation; to make such examinations of the affairs of all affiliates of such institutions as shall be necessary to disclose fully the relations between such institutions and their affiliates and the effect of such relations upon such institutions. The cost of examinations of such affiliates shall be assessed against and paid by the institution. For purposes of this subsection, the term 'affiliate' shall have the same meaning as where used in section 2(b) of the Banking Act of 1933 (12 U.S.C. 221a(b)), except that the term 'member bank' in said section 2(b) shall be deemed to refer to an insured institution.

"(2) In connection with examinations of insured institutions and affiliates thereof, the Corporation, or its designated representatives, shall have power to administer oaths and affirmations and to examine and to take and preserve testimony under oath as to any matter in respect of the affairs or ownership of any such institution or affiliate thereof, and to issue subpenas and subpenas duces tecum, and, for the enforcement thereof, to apply to the United States district court for the judicial district or the United States court in any territory in which the principal office of the institution or affiliate thereof is located, or in which the witness resides or carries on business. Such courts shall have jurisdiction and power to order and require compliance with any such subpena.

"(3) In the course of or in connection with any proceeding under this section, the Corporation or its designated representatives, including any person designated to conduct any hearing under this section shall have power to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpenas and subpenas duces tecum; and the Corporation is empowered to make rules and regulations with respect to any such proceedings. The attendance of witnesses and the production of documents provided for in this subsection may be required from any place in any State or in any territory at any designated place where such proceeding is being conducted. Any party to proceedings under this section may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted, or where the witness resides or carries on business, for enforcement of any subpena or subpena duces tecum issued pursuant to this subsection, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpenaed under this subsection shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. All expenses of the Board or of the Federal Savings and Loan Insurance Corporation in connection with this section shall be considered as nonadministrative expenses. Any court having jurisdiction of any proceeding instituted under this section by an insured institution, or a director or officer thereof, may allow to any such party such reasonable expenses and attorneys' fees as it deems just and proper; and such expenses and fees shall be paid by the institution or from its assets.

"(n) SERVICE.—Any service required or authorized to be made by the Corporation under this section may be made by registered mail, or in such other manner reasonably calculated to give actual notice as the Corporation may by regulation or otherwise provide. Copies of any notice or order served by the Corporation upon any State-chartered institution or any director or officer thereof or other person participating in the conduct of its affairs, pursuant to the provisions of this section, shall also be sent to the appropriate State supervisory authority.

"(o) NOTICE TO STATE AUTHORITIES.—In connection with any proceeding under subsection (e), (f)(1), or (g) of this section involving an insured State-chartered institution or any director or officer or other person participating in the conduct of its affairs, the Corporation shall provide the appropriate State supervisory authority with notice of the Corporation's intent to institute such a proceeding and the grounds therefor. Unless within such time as the Corporation deems appropriate in the light of the circumstances of the case (which time must be specified in the notice prescribed in the preceding sentence) satisfactory corrective action is effectuated by action of the State supervisory authority, the Corporation may proceed as provided in this sec-

tion: *Provided, however,* That no institution or other party who is the subject of any notice or order issued by the Corporation under this section shall have standing to raise the requirements of this subsection as ground for attacking the validity of any such notice or order.

"(p) PENALTIES.—(1) Any director or officer, or former director or officer, of an insured institution or an institution any of the accounts which are insured, or any other person, against whom there is outstanding and effective any notice or order (which is an order which has become final) served upon such director, officer, or other person under subsection (g)(3), (g)(4), or (h) of this section, and who (A) participates in any manner in the conduct of the affairs of such institution, or directly or indirectly solicits or procures, or transfers or attempts to transfer, or votes or attempts to vote any proxies, consents, or authorizations in respect of any voting rights in such institution, or (B) without the prior written approval of the Corporation, votes for a director or serves or acts as a director, officer, or employee of any insured institution, shall upon conviction be fined not more than $5,000 or imprisoned for not more than one year, or both.

"(2) Except with the prior written consent of the Corporation, no person shall serve as a director, officer, or employee of an insured institution who has been convicted, or who is hereafter convicted, of a criminal offense involving dishonesty or a breach of trust. For each willful violation of this prohibition, the institution involved shall be subject to a penalty of not more than $100 for each day this prohibition is violated, which the Corporation may recover by suit or otherwise for its own use.

"(q) DEFINITIONS.—(1) As used in this section—

"(A) The terms 'cease-and desist order which has become final' and 'order which has become final' mean a cease-and-desist order, or an order, issued by the Corporation with the consent of the institution or the director or officer or other person conerned, or with respect to which no petition for review of action of the Corporation has been filed and perfected in a court of appeals as specified in subsection (j)(2) of this section, or with respect to which the action of the court in which said petition is so filed is not subject to further review by the Superme Court of the United States in proceedings provided for in said subsection, or an order issued under subsection (h) of this section.

"(B) The term 'territory' includes the Commonwealth of Puerto Rico, and any possession of the United States or any place subject to the jurisdiction of the United States.

"(2) As used in subsection (f) of this section, the term 'insolvency' means that the assets of an institution are less than its obligations to its creditors and others, including its members.

"(3) As used in subsection (g) of this section, the term 'violation' includes without limitation any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation."

TITLE II—PROVISION RELATING TO THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, AND THE COMPTROLLER OF THE CURRENCY

SEC. 201. Paragraph (6) of subsection (j) of section 7 of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(6)) is repealed and section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) is amended by adding the following new subsection (q):

"(q) The term 'appropriate Federal banking agency' shall mean (a) the Comptroller of the Currency in the case of a national banking association or a District bank, (b) the Board of Governors of the Federal Reserve System in the case of a State member insured bank (except a District bank), and (c) the Federal Deposit Insurance Corporation in the case of a State nonmember insured bank (except a District bank)."

SEC. 202. Section 8 of the Federal Deposit Insurance Act (12 U.S.C. 1818), is amended by redesignating subsections (b), (c), and (d) thereof as (o), (p), and (q) and by adding after subsection (a) thereof the following new subsections (b) through (n), inclusive:

"(b)(1) If, in the opinion of the appropriate Federal banking agency, any insured bank or bank which has insured deposits is engaging or has engaged, or the agency has reasonable cause to believe that the bank is about to engage, in an unsafe or unsound practice in conducting the business of such bank, or is violating or has violated, or the agency has reasonable cause to believe that the bank is about to violate, a law, rule, or regulation, or any condition imposed in writing by the agency or any written agreement entered into with the agency, the agency may issue and serve upon the bank a notice of charges in respect thereof. The notice shall contain a statement of the facts constituting the alleged violation or violations or the unsafe or unsound practice or practices, and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist therefrom should issue against the bank. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after service of such notice unless an earlier or a later date is set by the agency at the request of the bank. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the issuance of the cease-and-desist order. In the event of such consent, or if upon the record made at any such hearings, the agency shall find that any violation or unsafe or unsound practice specified in the notice of charges has been established, the agency may issue and serve upon the bank an order to cease and desist from any such violation or practice. Such order may, by provisions which may be mandatory or otherwise, require the bank and its directors, officers, employees, and agents to cease and desist from the same, and, further, to take affirmative action to correct the conditions resulting from any such violation or practice.

"(2) A cease-and-desist order shall become effective at the expiration of thirty days after the service of such order upon the bank concerned (except in the case of a cease-and-desist order issued upon consent, which shall become effective at the time specified therein), and shall remain effective and enforceable as provided therein, except to such extent as it is stayed, modified, terminated, or set aside by action of the agency or a reviewing court.

"(c)(1) Whenever the appropriate Federal banking agency shall determine that the violation or threatened violation or the unsafe or unsound practice or practices, specified in the notice of charges served upon the bank pursuant to paragraph (1) of subsection (b) of this section, or the continuation thereof, is likely to cause insolvency or substantial dissipation of assets or earnings of the bank, or is likely to otherwise seriously prejudice the interests of its depositors, the agency may issue a temporary order requiring the bank to cease and desist from any such violation or practice. Such order shall become effective upon service upon the bank and, unless set aside, limited, or suspended by a court in proceedings authorized by paragraph (2) of this subsection, shall remain effective and enforceable pending the completion of the administrative proceedings pursuant to such notice and until such time as the agency shall dismiss the charges specified in such notice, or if a cease-and-desist order is issued against the bank, until the effective date of any such order.

"(2) Within ten days after the bank concerned has been served with a temporary cease-and-desist order, the bank may apply to the United States district court for the judicial district in which the home office of the bank is located, or the United States District Court for the District of Columbia, for an injunction setting aside, limiting, or suspending the enforcement, operation, or effectiveness of such order pending the completion of the administrative proceedings pursuant to the notice of charges served upon the bank under paragraph (1) of subsection (b) of this section, and such court shall have jurisdiction to issue such injunction.

"(d) In the case of violation or threatened violation of, or failure to obey, a temporary cease-and-desist order issued pursuant to paragraph (1) of subsection (c) of this section, the appropriate Federal banking agency may apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the bank is located, for an injunction to enforce such order, and, if the court shall determine that there has been such violation or threatened violation or failure to obey, it shall be the duty of the court to issue such injunction.

"(e)(1) Whenever, in the opinion of the appropriate Federal banking agency, any director or officer of an insured State bank (other than a District bank) has committed any violation of law, rule, or regulation, or of a cease-and-desist order which has become final, or has engaged or participated in any unsafe or unsound practice in connection with the bank, or has committed or engaged in any act, omission, or practice which constitutes a breach of his fiduciary duty as such director or officer, and the agency determines that the bank has suffered or will probably suffer substantial financial loss or other damage or that the interests of its depositors could be seriously prejudiced by reason of such violation or practice or breach of fiduciary duty, and that such violation or practice or breach of fiduciary duty is one involving personal dishonesty on the part of such director or officer, the agency may serve upon such director or officer a written notice of its intention to remove him from office.

"(2) Whenever, in the opinion of the Comptroller of the Currency, any director or officer of a national banking association or a District bank has committed any violation of law, rule, or regulation, or of a cease-and-desist order which has become final, or has engaged or participated in any unsafe or unsound practice in connection with the bank, or has committed or engaged in any act, omission, or practice which constitutes a breach of his fiduciary duty as such director or officer, and the Comptroller determines that the bank has suffered or will probably suffer substantial financial loss or other damage or that the interests of its depositors could be seriously prejudiced by reason of such violation or practice or breach of fiduciary duty, and that such violation or practice or breach of fiduciary duty is one involving personal dishonesty on the part of such director or officer, the Comptroller of the Currency may certify the facts to the Board of Governors of the Federal Reserve System.

"(3) Whenever, in the opinion of the appropriate Federal banking agency, any director or officer of an insured State bank (other than a District bank), by conduct or practice with respect to another insured bank or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to continue as a director or officer and, whenever, in the opinion

of the appropriate Federal banking agency, any other person participating in the conduct of the affairs of an insured State bank (other than a District bank), by conduct or practice with respect to such bank or other insured bank or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to participate in the conduct of the affairs of such insured bank, the agency may serve upon such director, officer, or other person a written notice of its intention to remove him from office and/or to prohibit his further participation in any manner in the conduct of the affairs of the bank.

"(4) Whenever, in the opinion of the Comptroller of the Currency, any director or officer of a national banking association or a District bank, by conduct or practice with respect to another insured bank or other business institution which resulted in substantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to continue as a director or officer and, whenever, in the opinion of the Comptroller, any other person participating in the conduct of the affairs of a national banking association or a District bank, by conduct or practice with respect to such bank or other insured bank or other business institution which resulted in susbtantial financial loss or other damage, has evidenced his personal dishonesty and unfitness to participate in the conduct of the affairs of such bank, the Comptroller of the Currency may certify the facts to the Board of Governors of the Federal Reserve System.

"(5) In respect to any director or officer of an insured State bank (other than a District bank) or any other person referred to in paragraph (1) or (3) of this subsection, the appropriate Federal banking agency may, if it deems it necessary for the protection of the bank or the interests of its depositors, by written notice to such effect served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the bank. Such suspension and/or prohibition shall become effective upon service of such notice and, unless stayed by a court in proceedings authorized by subsection (f) of this section, shall remain in effect pending the completion of the administrative proceedings pursuant to the notice served under paragraph (1) or (3) of this subsection and until such time as the agency shall dismiss the charges specified in such notice, or, if an order of removal and/or prohibition is issued against the director or officer or other person, until the effective date of any such order. Copies of any such notice shall also be served upon the bank of which he is a director or officer or in the conduct of whose affairs he has participated.

"(6) In respect to any director or officer of a national banking association or a District bank, or any other person referred to in paragraph (2) or (4) of this subsection, the Comptroller of the Currency may, if he deems it necessary for the protection of the bank or the interests of its depositors that such director or officer be suspended from office or prohibited from further participation in any manner in the conduct of the affairs of the bank, certify the facts to the Board of Governors of the Federal Reserve System.

"(7) In the case of a certification to the Board of Governors of the Federal Reserve System under paragraph (2) or (4) of this subsection, the Board may serve upon the director, officer, or other person involved, a written notice of its intention to remove him from office and/or to prohibit him from further participation in any manner in the conduct of the affairs of the bank. In the case of a certification to the Board of Governors of the Federal Reserve System under paragraph (6) of this subsection, the Board may by written notice to such effect served upon such director, officer, or other person, suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the bank. Such suspension and/or prohibition shall become effective upon service of such notice and, unless stayed by a court in proceedings authorized by subsection (f) of this section, shall remain in effect pending the completion of the administrative proceedings pursuant to the notice served under the first sentence of this paragraph and until such time as the Board shall dismiss the charges specified in such notice, or, if an order of removal and/or prohibition is issued against the director or officer or other person, until the effective date of any such order. Copies of any such notice shall also be served upon the bank of which he is a director or officer or in the conduct of whose affairs he has participated. For the purposes of this paragraph and paragraph (8) of this subsection, the Comptroller of the Currency shall be entitled in any case involving a national bank or a District bank to sit as a member of the Board of Governors of the Federal Reserve System and to participate in its deliberations on any such case and to vote thereon in all respects as a member of such Board.

"(8) A notice of intention to remove a director, officer, or other person from office and/or to prohibit his participation in the conduct of the affairs of an insured bank, shall contain a statement of the facts constituting grounds therefor, and shall fix a time and place at which a hearing will be held thereon. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after the date of service of such notice, unless an earlier or a later date is set by the agency at the request of (A) such director or officer or other person, and for good cause shown, or (B) the Attorney General of the United States. Unless such director, officer, or other person shall appear at the hearing in person or by a duly authorized representative, he shall be deemed to have consented to the issuance of an order of such removal and/or prohibition. In the event of such consent, or if upon the record made at any such hearing the agency shall find that any of the grounds specified in such notice has been established, the agency may issue such orders of suspension or removal from office, and/or prohibition from participation in the conduct of the affairs of the bank, as it may deem appropriate. Any such order shall become effective at the expiration of thirty days after service upon such bank and the director, officer, or other person concerned (except in the case of an order issued upon consent, which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the agency or a reviewing court.

"(f) Within ten days after any director, officer, or other person has been suspended from office and/or prohibited from participation in the conduct of the affairs of an insured bank under subsection (e)(5) or (e)(7) of this section, such director, officer, or other person may apply to the United States district court for the judicial district in which the home office of the bank is located, or the United States District Court for the District of Columbia, for a stay of such suspension and/or prohibition pending the completion of the administrative proceedings pursuant to the notice served upon such director, officer, or other person under subsection (e)(1), (e)(3), or (e)(7) of this section, and such court shall have jurisdiction to stay such suspension and/or prohibition.

"(g)(1) Whenever any director or officer of an insured bank, or other person participating in the conduct of the affairs of such bank, is charged in any information, indictment, or complaint authorized by a United States attorney, with the commission of or participation in a felony involving dishonesty or breach of trust, the appropriate Federal banking agency may, by written notice served upon such director, officer, or other person suspend him from office and/or prohibit him from further participation in any manner in the conduct of the affairs of the bank. A copy of such notice shall also be served upon the bank. Such suspension and/or prohibition shall remain in effect until such information, indictment, or complaint is finally disposed of or until terminated by the agency. In the event that a judgment of conviction with respect to such offense is entered against such director, officer, or other person and at such time as such judgment is not subject to further appellate review, the agency may issue and serve upon such director, officer, or other person an order removing him from office and/or prohibiting him from further participation in any manner in the conduct of the affairs of the bank except with the consent of the appropriate agency. A copy of such order shall also be served upon such bank, whereupon such director or officer shall cease to be a director or officer of such bank. A finding of not guilty or other disposition of the charge shall not preclude the agency from thereafter instituting proceedings to remove such director, officer, or other person from office and/or to prohibit further participation in bank affairs, pursuant to paragraph (1), (2), (3), (4), or (7) of subsection (e) of this section.

"(2) If at any time, because of the suspension of one or more directors pursuant to this section, there shall be on the board of directors of a national bank less than a quorum of directors not so suspended, all powers and functions vested in or exercisable by such board shall vest in and be exercisable by the director or directors on the board not so suspended, until such time as there shall be a quorum of the board of directors. In the event all of the directors of a national bank are suspended pursuant to this section, the Comptroller of the Currency shall appoint persons to serve temporarily as directors in their place and stead pending the termination of such suspensions, or until such time as those who have been suspended, cease to be directors of the bank and their respective successors take office.

"(h)(1) Any hearing provided for in this section shall be held in the Federal judicial district or in the territory in which the home office of the bank is located unless the party afforded the hearing consents to another place, and shall be conducted in accordance with the provisions of the Administrative Procedure Act; but such hearing shall be private, unless a public hearing is agreed to by the party afforded the hearing and by the appropriate Federal banking agency. After such hearing, and within ninety days after the appropriate Federal banking agency or Board of Governors of the Federal Reserve System has notified the parties that the case has been submitted to it for final decision, it shall render its decision (which shall include findings of fact upon which its decision is predicated) and shall issue and serve upon each party to the proceeding an order or orders consistent with the provisions of this section. Judicial review of any such order shall be exclusively as provided in this subsection (h). Unless a petition for review is timely filed in a court of appeals of the United States, as hereinafter provided in paragraph (2) of this subsection, and thereafter until the record in the proceeding has been filed as so provided, the issuing agency may at any time, upon such notice and in such manner as it shall deem proper, modify, terminate, or set aside any such order. Upon such filing of the record, the agency may modify, terminate, or

set aside any such order with permission of the court.

"(2) Any party to the proceeding, or any person required by an order issued under this section to cease and desist from any of the violations or practices stated therein, may obtain a review of any order served pursuant to paragraph (1) of this subsection (other than an order issued with the consent of the bank or the director or officer or other person concerned, or an order issued under paragraph (1) of subsection (g) of this section) by the filing in the court of appeals of the United States for the circuit in which the home office of the bank is located, or in the United States Court of Appeals for the District of Columbia Circuit, within thirty days after the date of service of such order, a written petition praying that the order of the agency be modified, terminated, or set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the agency, and thereupon the agency shall file in the court the record in the proceeding, as provided in section 2112 of title 28 of the United States Code. Upon the filing of such petition, such court shall have jurisdiction, which upon the filing of the record shall except as provided in the last sentence of said paragraph (1) be exclusive, to affirm, modify, terminate, or set aside in whole or in part, the order of the agency. Review of such proceedings shall be had as provided in the Administrative Procedure Act. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 1254 of title 28 of the United States Code.

"(3) The commencement of proceedings for judicial review under paragraph (2) of this subsection shall not, unless specifically ordered by the court, operate as a stay of any order issued by the agency.

"(i) The appropriate Federal banking agency may in its discretion apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the home office of the bank is located, for the enforcement of any effective and outstanding notice or order issued under this section, and such courts shall have jurisdiction and power to order and require compliance therewith; but except as otherwise provided in this section no court shall have jurisdiction to affect by injunction or otherwise the issuance or enforcement of any notice or order under this section, or to review, modify, suspend, terminate, or set aside any such notice or order.

"(j) Any director or officer, or former director or officer of an insured bank, or any other person, against whom there is outstanding and effective any notice or order (which is an order which has become final) served upon such director, officer, or other person under subsections (e)(5), (e)(7), (e)(8), or (g) of this section, and who (i) participates in any manner in the conduct of the affairs of the bank involved, or directly or indirectly solicits or procures, or transfers or attempts to transfer, or votes or attempts to vote, any proxies, consents, or authorizations in respect of any voting rights in such bank, or (ii) without the prior written approval of the appropriate Federal banking agency, votes for a director, serves or acts as a director, officer, or employee of any bank, shall upon conviction be fined not more than $5,000 or imprisoned for not more than one year, or both.

"(k) As used in this section (1) the terms 'cease-and-desist order which has become final' and 'order which has become final' mean a cease-and-desist order, or an order issued by the appropriate Federal banking agency with the consent of the bank or the director or officer or other person concerned, or with respect to which no petition for review of the action of the agency has been filed and perfected in a court of appeals as specified in paragraph (2) of subsection (h), or with respect to which the action of the court in which said petition is so filed is not subject to further review by the Supreme Court of the United States in proceedings provided for in said paragraph, or an order issued under paragraph (1) of subsection (g) of this section, and (2) the term 'violation' includes without limitation any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

"(l) Any service required or authorized to be made by the appropriate Federal banking agency under this section may be made by registered mail, or in such other manner reasonably calculated to give actual notice as the agency may by regulation or otherwise provide. Copies of any notice or order served by the agency upon any State bank or any director or officer thereof or other person participating in the conduct of its affairs, pursuant to the provisions of this section, shall also be sent to the appropriate State supervisory authority.

"(m) In connection with any proceeding under subsection (b), (c)(1), or (e) of this section involving an insured State bank or any director or officer or other person participating in the conduct of its affairs, the appropriate Federal banking agency shall provide the appropriate State supervisory authority with notice of the agency's intent to institute such a proceeding and the grounds therefor. Unless within such time as the Federal banking agency deems appropriate in the light of the circumstances of the case (which time must be specified in the notice prescribed in the preceding sentence) satisfactory corrective action is effectuated by action of the State supervisory authority, the agency may proceed as provided in this section: *Provided, however,* That no bank or other party who is the subject of any notice or order issued by the agency under this section shall have standing to raise the requirements of this subsection as ground for attacking the validity of any such notice or order.

"(n) In the course of or in connection with any proceeding under this section, the agency conducting the proceeding, or any member or designated representative thereof, including any person designated to conduct any hearing under this section, shall have the power to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpenas and subpenas duces tecum; and such agency is empowered to make rules and regulations with respect to any such proceedings. The attendance of witnesses and the production of documents provided for in this subsection may be required from any place in any State or in any territory or other place subject to the jurisdiction of the United States at any designated place where such proceeding is being conducted. Any party to proceedings under this section may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted, or where the witness resides or carries on business, for enforcement of any subpena or subpena duces tecum issued pursuant to this subsection, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpenaed under this section shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. Any court having jurisdiction of any proceeding instituted under this section by an insured bank or a director or officer thereof, may allow to any such party such reasonable expenses and attorneys' fees as it deems just and proper; and such expenses and fees shall be paid by the bank or from its assets."

SEC. 203. Subsections (b) and (c) of section 10 of the Federal Deposit Insurance Act (12 U.S.C. 1820 (b), (c)) are amended to read as follows:

"(b) The Board of Directors shall appoint examiners who shall have power, on behalf of the Corporation, to examine any insured State nonmember bank (except a District bank), any State nonmember bank making application to become an insured bank, and any close insured bank, whenever in the judgment of the Board of Directors an examination of the bank is necessary. In addition to the examinations provided for in the preceding sentence, such examiners shall have like power to make a special examination of any State member bank and any national bank or District bank, whenever in the judgment of the Board of Directors such special examination is necessary to determine the condition of any such bank for insurance purposes. In making examinations of insured banks, examiners appointed by the Corporation shall have power on behalf of the Corporation to make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon such banks. Each examiner shall have power to make a thorough examination of all of the affairs of the bank and its affiliates, and shall make a full and detailed report of the condition of the bank to the Corporation. The Board of Directors in like manner shall appoint claim agents who shall have power to investigate and examine all claims for insured deposits. Each claim agent shall have power to administer oaths and affirmations and to examine and to take and preserve testimony under oath as to any matter in respect to claims for insured deposits, and to issue subpenas and subpensas duces tecum, and, for the enforcement thereof, to apply to the United States district court for the judicial district or the United States, court in any territory in which the main office of the bank or affiliate thereof is located, or in which the witness resides or carries on business. Such courts shall have jurisdiction and power to order and require compliance with any such subpena.

"(c) In connection with examinations of insured banks, and affiliates thereof, the appropriate Federal banking agency, or its designated representatives, shall have the power to administer oaths and affirmations and to examine and to take and preserve testimony under oath as to any matter in respect of the affairs or ownership of any such bank or affiliate thereof, and to issue subpenas and subpenas duces tecum, and, for the enforcement thereof, to apply to the United States district court for the judicial district or the United States court in any territory in which the main office of the bank or affiliate thereof is located, or in which the witness resides or carries on business. Such courts shall have jurisdiction and power to order and require compliance with any such subpena. For purposes of this section, the term 'affiliate' shall have the same meaning as where used in section 2(b) of the Banking Act of 1933 (12 U.S.C. 221a(b)) except that the term 'member bank' in said section 2(b) shall be deemed to refer to an insured bank."

SEC. 204. The first five sentences of section 8(a) of the Federal Deposit Insurance Act (12 U.S.C. 1818(a)) are amended to read as follows:

"SEC. 8. (a) Any insured bank (except a national member bank or State member bank) may, upon not less than ninety days' written notice to the Corporation, terminate its status as an insured bank. Whenever the Board of Directors shall find that an insured bank or its directors or trustees have engaged or are engaging in unsafe or unsound practices in conducting the business of such bank, or is in an unsafe or unsound condition to continue operations as an insured

bank, or violated an applicable law, rule, regulation or order, or any condition imposed in writing by the Corporation or any written agreement entered into with the Corporation, the Board of Directors shall first give to the Comptroller of the Currency in the case of a national bank or a District bank, to the authority having supervision of the bank in the case of a State bank, and to the Board of Governors of the Federal Reserve System in the case of a State member bank, a statement with respect to such practices or violations for the purpose of securing the correction thereof and shall give a copy thereof to the bank. Unless such correction shall be made within one hundred and twenty days, or such shorter period not less than twenty days fixed by the Corporation in any case where the Board of Directors in its discretion has determined that the insurance risk of the Corporation is unduly jeopardized, or fixed by the Comptroller of the Currency in the case of a national bank, or the State authority in the case of a State bank, or Board of Governors of the Federal Reserve System in the case of a State member bank as the case may be, the Board of Directors, if it shall determine to proceed further, shall give to the bank not less than thirty days' written notice of intention to terminate the status of the bank as an insured bank, and shall fix a time and place for a hearing before the Board of Directors or before a person designated by it to conduct such hearing, at which evidence may be produced, and upon such evidence the Board of Directors shall make written findings which shall be conclusive. If the Board of Directors shall find that any unsafe or unsound practice or condition or violation specified in such statement has been established and has not been corrected within the time above prescribed in which to make such corrections, the Board of Directors may order that the insured status of the bank be terminated on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. Unless the bank shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured bank and termination of such status thereupon may be ordered. Any insured bank whose insured status has been terminated by order of the Board of Directors under this subsection shall have the right of judicial review of such order only to the same extent as provided for the review of orders under subsection (h) of this section."

SEC. 205. Subsection "Fourth" of section 9 of the Federal Deposit Insurance Act (12 U.S.C. 1819 "Fourth") is amended to read as follows:

"Fourth. To sue and be sued, complain and defend, in any court of law or equity, State or Federal. All suits of a civil nature at common law or in equity to which the Corporation shall be a party shall be deemed to arise under the laws of the United States, and the United States district courts shall have original jurisdiction thereof, without regard to the amount in controversy; and the Corporation may, without bond or security, remove any such action, suit, or proceeding from a State court to the United States district court for the district or division embracing the place where the same is pending by following any procedure for removal now or hereafter in effect: *Provided*, That any such suit to which the Corporation is a party in its capacity as receiver of a State bank and which involves only the rights or obligations of depositors, creditors, stockholders, and such State bank under State law shall not be deemed to arise under the laws of the United States. No attachment or execution shall be issued against the Corporation or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court. The Board of Directors shall designate an agent upon whom service of process may be made in any State, Territory, or jurisdiction in which any insured bank is located."

SEC. 206. Nothing contained in this title shall be construed to repeal, modify, or affect the provisions of section 19 of the Federal Deposit Insurance Act (12 U.S.C. 1829).

SEC. 207. Section 30 of the Banking Act of 1933 (12 U.S.C. 77) is hereby repealed.

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

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

The legislative clerk proceeded to call the roll.

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

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

Mr. PROXMIRE. Mr. President, on Friday I had an opportunity to make an initial statement in support of the pending bill (S. 3158). At that time, unfortunately, I did not have an opportunity to stress what I think is one of the most important parts of the legislation, and a part that has become quite controversial. That is the section that enables the bank and savings and loan regulatory agencies not only to issue cease-and-desist orders, but also to act to suspend officers and directors of banks prior to hearing, and to remove them after a hearing.

This is a very serious power to give to any regulatory agency. The Senator from Illinois [Mr. DOUGLAS] raised some questions about it during the hearings on this matter. The American Bankers Association and others were very much concerned. We have worked out a compromise which is now acceptable, we think, to virtually all parties—not quite all, but certainly to most of them.

ARGUMENTS FOR RETENTION OF THE SUSPENSION AND REMOVAL PROVISIONS OF THE COMMITTEE BILL, S. 3158

Retention of the suspension and removal authority is strongly urged by the Administration and by the Federal agencies charged with responsibility for the regulation and supervision of financial institutions, including particularly those agencies administering the insurance funds which bear the losses inflicted by dishonest management. Suspension and removal authority would provide the agencies with more effective supervisory power to deal with problem banks and savings and loan associations within their respective jurisdictions.

Under Secretary of the Treasury Joseph W. Barr, Vice Chairman J. L. Robertson of the Board of Governors of the Federal Reserve System, and Chairman Kenneth A. Randall of the Federal Deposit Insurance Corporation, have all testified to the need for such authority to enable the Federal banking agencies to take action promptly to suspend or remove the faithless manager and the devious operator.

I think Chairman John E. Horne of the Federal Home Loan Bank Board made an excellent case for this proposition. He gave specific examples of cases in which it was impossible, really, to effectively protect the public unless a dishonest officer was actually removed from office.

In his testimony in support of the bill, Chairman Horne stated that since January 1963, 22 insured savings and loan associations, with assets aggregating approximately $517 million, had been forced to merge for supervisory reasons or to go into voluntary liquidation. Mr. Horne further testified that in connection with these problem cases, 17 persons had been convicted or pleaded guilty to criminal charges of willful misapplication of funds of these institutions. The cases in which these 17 persons were involved, I am informed by Mr. Horne, will cost the Federal Savings and Loan Insurance Corporation over $23 million.

In one case mentioned by Mr. Horne in his testimony, officials of one of these problem institutions made substantial and excessive loans that redounded to their own benefit. In one instance, they made loans totaling more than $1 million to the manager of another savings and loan association who returned the favor. The chairman and principal stockholder in the institution constructed an office building, part of which he rented to the association under a 20-year lease at an extravagant rent. To help build the building, he took $1.1 million of association funds under the guise of leasehold improvements which he therefore had no obligation to repay. He also caused association checks to be drawn for 4 years' rent in advance, and thus he helped himself to another half million dollars. The institution has since been liquidated and the Corporation's estimated loss in the liquidation is about $8.4 million.

Dishonest management such as that described by Mr. Horne is not confined to the savings and loan industry. The McClellan subcommittee's report on its investigation of federally insured banks contains shocking disclosures of dishonest and corrupt activities by persons who caused the collapse of the San Francisco National Bank and of several other banks mentioned in the report. The removal and suspension provisions of S. 3158 could certainly help in many ways to plug the flow of losses through the hands of self-seeking or criminal elements.

While the power to remove from office could not remove portfolio losses or cure damage already done, it would provide the agencies with authority to move more promptly against dishonest managers, hopefully before the financial condition of the institution has reached a point where it is beyond rehabilitation.

Although the cease-and-desist proceeding will undoubtedly be more generally useful and more commonly employed by the agencies than the suspension and removal authority, it must be stressed that the two remedies do not cover the same ground. While there may be some overlap, they are primarily addressed to different situations, and one would not be a very effective substitute for the other.

If the question involves not management's honesty but, for example, its in-

terpretation of applicable law or regulations, the cease-and-desist remedy would be the indicated remedy.

But if the agency becomes aware of transactions showing that the person or group in control of an institution is fundamentally lacking in the integrity demanded by a position of public trust and responsibility for millions of dollars of other peoples' savings, that person should be removed from office. It would be ineffectual to chase after him with cease-and-desist orders, telling him to stop robbing the institution by one device but leaving him free to think up another and use it for a while. Such persons are very few in number, and usually they will end up in prison, but in the meantime they can do millions and millions of dollars of damage, as testimony on this bill and before the McClellan subcommittee has demonstrated.

Under the language of the bill as amended by the committee, the grounds for suspension and removal proceedings are such that as a practical matter they would necessarily be reserved for the more extreme and flagrant cases. The suspension and removal sections as changed by the committee are limited to instances of serious personal dishonesty. Thus, even though there were a violation of law or the commission of unsound practices, the agency could not commence a removal proceeding unless it also found, first, that the institution involved had or would probably incur substantial loss or damage, and, second, that such misconduct involved personal dishonesty on the part of the director or officer.

When this bill was originally proposed by the regulatory agencies, they did not include a requirement that there had to be a showing—in fact, convincing evidence—that the officer to be removed had engaged in activities that were clearly evidence of personal dishonesty. That was not required. But it is required here; and it is a very substantial safeguard for the individual.

Where the director or officer is suspended from office pending the outcome of the full hearing on the agency's charges against him, the agency would be required to find further that such action is necessary to protect the interests of the institution or the interests of its savings account holders or depositors. Moreover, such suspension would be subject to an immediate move in court by the person affected for a stay of the suspension.

In sum, the grounds provided for suspension and removal would be limited to cases involving serious personal dishonesty. Furthermore, the process is subject to court review at every stage.

The deletion of the suspension and removal provisions from the bill would primarily benefit the crooked operator and those interested solely in a "quick dollar," whose activities could undermine public confidence in the soundness of financial institutions and endanger the savings of millions of our citizens. Although few in number, such persons have already caused substantial losses to the FSLIC and the FDIC.

In recognition of the desirability of reducing this indefensible drain on the insurance funds, both the American Bankers Association and the U.S. Savings and Loan League, which are the largest banking and savings and loan trade associations, as I understand it, in the Nation, support the suspension and removal sections as amended by the committee and urge approval of the bill in its entirety.

The case for retention of the suspension and removal provisions of S. 3158 was well put by Mr. Archie K. Davis, president of the American Bankers Association, in an address before the North Carolina Bankers Association on May 10, 1966. In explaining the reasons for the ABA's support for this legislation, Mr. Davis said:

> The A.B.A. goal, the goal of the agencies, and what should be the goal of the entire industry, is a banking system completely free of sharpshooters and devious operators. This is the aim of the legislation. This is why we support its objectives.

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

Mr. PROXMIRE. I yield.

Mr. SALTONSTALL. Mr. President, in reading the synopsis of the bill and the amendment suggested by the Senator from Texas [Mr. TOWER], as I understand it, there is no objection. Everybody is in accord with relation to greater control and supervision of the institutions.

The difference of opinion arises as to how much responsibility should be given to the Federal officers to remove, we will say, for cause or suspected cause, various members of State institutions. Am I correct?

Mr. PROXMIRE. I think the Senator from Texas felt at one point that the suspension and removal phase of this legislation should be eliminated, whether it applies to Federal or State institutions.

It is my understanding now that the Senator from Texas may not press that amendment. I think there is a general feeling, in view of the safeguards provided in the bill, that we would remove officers who were guilty of law violations or unsound practices, practices which would undermine the bank or savings and loan institution, and whose conduct involved a matter of personal dishonesty. I stress each of these elements—the violation, the damage, the dishonesty—all three would have to be present if the regulatory agency is to act.

As I understand it, with those three provisions, the bill now is pretty much acceptable to all involved in the regulatory agencies, the American Bankers Association and the State institutions.

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

Mr. PROXMIRE. I yield.

Mr. ROBERTSON. Mr. President, on that point, I offered another amendment. The distinguished senior Senator from Wisconsin will recall that I brought to the attention of the committee the desire of some State banking supervisors that they should be informed in advance of all charges against State banks and their officials. We amended the bill to provide that before any action would be taken by the Federal officials, the State authorities would be informed of what the charge was so that they could take action first, if they were so inclined.

In addition, we limited, as the Senator has said, the removal power only to cases involving personal dishonesty.

Mr. SALTONSTALL. Mr. President, I am not a member of the committee. I simply followed the hearings to see what the bill would do. Do I understand from the two distinguished Senators that the minority views have been taken care of?

Mr. ROBERTSON. Not fully, but to a large extent. As I understand it, the minority is not now offering an amendment. There was some reservation about the removal powers, but these have been greatly changed from what was originally planned. In addition, we have very firm commitments from big national organizations such as the American Bankers Association and the U.S. Savings & Loan Association. I have endorsements that I did not have when we were first disturbed about the extent of the bill. One endorsement is from the Virginia Bankers Association. That is a State association. I also have an endorsement from the Virginia Savings & Loan League.

I have said so frequently, the Senator will remember, that Thomas Jefferson said: "Thank God, Adams still lives." The economic questions concerning Massachusetts and Virginia have very frequently been similar. I am sure that the Senator can be assured that his bankers will not object to the bill.

Mr. SALTONSTALL. Mr. President, I thank both Senators. I have heard the Senator from Virginia make that statement before and I agree with him on everything he has to say in that regard.

Mr. PROXMIRE. Mr. President, I concur wholeheartedly in what the distinguished Senator from Virginia, the chairman of the committee, had to say concerning the great improvement of the bill concerning State supervisors.

We will discuss it a little later today.

Mr. ROBERTSON. Mr. President, will the Senator yield for brief remarks on the bill?

Mr. PROXMIRE. Mr. President, I yield to the distinguished Senator from Virginia.

Mr. ROBERTSON. Mr. President, I join the senior Senator from Wisconsin [Mr. PROXMIRE] in urging the Senate to pass S. 3158 promptly and send it to the House for their consideration.

This bill provides the three Federal bank supervisory agencies and the Federal Home Loan Bank Board intermediary authorities in the form of cease-and-desist orders and suspension and removal orders, short of the ultimate remedies of terminating insurance or terminating membership in the Federal Reserve System or conservatorship. It will enable the supervisory authorities to protect two major financial systems, our banks and our savings and loan associations, from unsafe and unsound practices and from violations of law which might injure individual institutions and thereby cast doubt on the entire systems.

This is an important bill strongly supported by the administration and by

the American Bankers Association and the U.S. Savings and Loan League. It is also supported by the Virginia Bankers Association and the Virginia Savings and Loan League.

The committee worked long and hard over this bill. We held extensive hearings, both during April and during May. As the report indicates, we were concerned both with protecting banks and savings and loan associations and their officials and with protecting the people who put their money in these institutions. The committee made extensive revisions in the bill and, while it would not be correct to say that we have obtained universal agreement on the bill, we have obtained a very substantial measure of agreement, and we have eliminated many of the objections raised by the organizations which do not support it.

I need not repeat what the Senator from Wisconsin has said in his report or what he has said on the floor about the specific provisions of the bill. I might add that my principal concern with the bill at the time of the committee meeting was that the authority to suspend and remove bank and savings and loan officials might prove so controversial that it would prejudice chances of enactment of the bill. However, I agree with Senator PROXMIRE that, with the suspension and removal powers as sharply limited as they are, as indicated on page 2 of the report, the chances of abuse of the power seem to have been eliminated.

Again, I join with Senator PROXMIRE in urging prompt approval of the bill.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD telegrams received from the Virginia Bankers Association and the Virginia Savings and Loan League.

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

RICHMOND, VA.,
August 19, 1966.

Senator A. WILLIS ROBERTSON,
Chairman, Senate Banking and Currency Committee, New Senate Office Building, Washington, D.C.:

We support S. 3158 as amended and reported by the committee. Trust it will be acted upon promptly.

MARCHANT D. WORNON,
Executive Vice President, Virginia Bankers Association.

RICHMOND, VA.,
July 27, 1966.

Senator A. WILLIS ROBERTSON,
U.S. Senate Office Building, Washington, D.C.:

We support supervisory bill and committee's amended form and trust action on it will not be delayed too long.

VIRGINIA SAVINGS & LOAN LEAGUE,
MARK SAURS.

Mr. DIRKSEN. Mr. President, as Members of this body are aware, Senator BENNETT, the ranking minority member of the Banking and Currency Committee has been hospitalized as the result of an ulcer and is unable to be here today for debate on this bill. The Senator from Utah was a cosponsor of the original bill and has been instrumental in bringing about some of the important changes now embodied in the proposed legislation before us. He has sent me a statement giving his support of the legislation and asking for further clarification on one section of the bill.

He has asked me to make the statement for him.

STATEMENT BY SENATOR BENNETT READ BY SENATOR DIRKSEN

Mr. BENNETT. Mr. President, I joined as a cosponsor with the Chairman of the Senate Banking and Currency Committee on S. 3158, the financial institutions supervisory bill, because I believed that the major provisions of the bill would make possible better supervision of the financial institutions of this Nation. I did not think that it was a perfect bill, and recommended that there be changes in my opening statement of the hearings. I did not think that it would have full industry support, and I knew, as I know now, that the powers granted in the bill could be misused. However, I am convinced now as I was then that it is desirable to give to the regulatory authorities of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Federal Home Loan Bank Board, the authority to take action less drastic than termination of deposit insurance or seizure of an institution.

These present remedies against improper, unsound, or irregular practices in financial institutions have proved to be unsatisfactory. Because of their severity the regulatory authorities have been inhibited from using them to bring financial institutions into line except in the most drastic cases. This legislation would allow the agencies charged with the responsibility of supervision to exercise more limited authority and thus assist in preventing institutions from deteriorating to a point where it becomes necessary to have a complete takeover or insurance cancellation.

As is often the case, the need for this legislation is determined not by a majority of the banks and savings and loan institutions but by the actions of a very small number of individuals in the management of financial institutions who are either incapable of proper management or who willfully disregard or circumvent the laws and regulations set forth for the protection of the banking and savings and loan systems of this country as well as the deposits of those who have placed them in these institutions with full trust and confidence that they would be properly used and protected.

Although the instances of misuse of funds and intentional, irregular or unlawful practices are relatively few, when they occur, their influence is widespread and the publicity which results can have a very detrimental effect on the whole system.

Since this legislation is aimed only at improperly conducted institutions, it should have no application to those who are presently managing and continue to manage their business efficiently and within accepted practices. The proposed cease-and-desist proceedings and authority for removal of officers of institutions will not have any effect nor should they be considered a threat of additional power except to those who are engaging in unlawful, unsound, or irregular practices.

When the bill was first introduced, it provided that the regulatory institution at its discretion could hold an open hearing against the will of the individual for which the hearing was called. I stated at that time, that even those who the regulatory officials may feel are violating, or have violated a rule or regulation or have engaged or are engaging in unsafe practices should be protected from the potential damage that could occur to the individual or institution if the regulatory agency should decide to use an open hearing, or the threat of an open hearing, to force its opinion on an institution. I do not feel that it is necessary to elaborate on the fact that an open hearing could bring about irreparable damage or the failure of an institution even in the absence of any unlawful, unsound, or irregular practices.

The bill has now been amended so that any hearing shall be private unless a public hearing is agreed to by the party afforded the hearing and by the appropriate Federal banking agency. I feel that this was a necessary improvement in the bill.

The original bill provided that regulatory authorities could suspend or remove an officer or director of a financial institution if he had violated a law, rule, or regulation or if he had engaged in an unsafe or unsound practice or done anything that constituted a breach of his fiduciary duty, and if the regulatory body found that as a result the institution had suffered or would suffer substantial loss or damage or that the interest of the depositors or savers might be seriously prejudiced.

This provision has been substantially altered in the bill that was reported by the committee and is now up for consideration. The bill which we now have before us limits the power to suspend or remove officers to those cases involving personal dishonesty. The present provision strikes a much better balance between the rights of the individual officer and director and the powers of the regulatory authorities, and I believe that it merits Senate approval.

A third area of concern in the original bill, as introduced, was the power of one man, the Comptroller, to bring about suspension or removal. It was the decision of the committee, and I feel a wise decision, that final removal and suspension powers not be in the hands of one man, and thus in the case of the Comptroller it was determined that it would be necessary for him to go through the Federal Reserve Board to remove an official of a national bank. In essence, this is the same procedure that has been established since 1933. As was pointed out in the hearings, this does not unduly restrict the Comptroller in his supervision of national banks.

A major area of controversy in the original bill was the power of a Federal regulatory body to take cease and desist and suspension and removal action against a State institution. As a strong supporter of the dual banking system, I was as concerned as anyone that the

supervisory powers of the State agencies not be circumvented or diminished. It is my firm contention that most State supervisors would be pleased to have the cooperation of the Federal agency in problem cases. Most State supervisory authorities would certainly act if the Federal agency brought to their attention a situation that would jeopardize the ability of the institution involved to continue in operation or would jeopardize the interests of the savers or depositors in the institution.

It may be that in some cases where the State authority is unable for some reason to act, he may welcome the action by the Federal agency.

The bill as now drafted provides that the Federal agency shall provide the appropriate State supervisory authority with notice of intended action and the grounds therefor. Unless within such time as the Federal agency deems appropriate in the light of the circumstances of the case, and the time must be specified when the notice is given, satisfactory corrective action is effectuated by the action of the State supervisory authority, the Federal agency may proceed.

It seems to me that such a procedure would only be necessary in the event that the State authority is either unable or unwilling to take action needed to protect the financial institution and its shareholders or depositors.

I have received a communication from Mr. W. S. Brimhall, the bank commissioner of the State of Utah, in which he makes some specific recommendations on the procedure to be followed by the Federal agency when it takes action dealing with a State chartered institution.

I would like to include this letter in the RECORD at this point and state that it is my understanding that the bill as amended would provide for the process which he requests and that in fact this would be the procedure followed. The part of the letter to which I refer is the last part of the second paragraph, in which he states:

> I would not object to these sections, nor the bill as a whole, if these sections are modified to provide that when Federal authorities are dealing with State-chartered institutions and they cannot obtain concurrence of the appropriate State supervisory authority in the action they propose, they may take action only after a finding has been served upon the State supervisor, setting forth the facts supporting the contemplated action to be taken together with a statement that compliance is essential for the protection of the insured institution and that the State supervisory authority does not concur in the proposed action to be taken.

The letter reads, in full, as follows:

THE STATE OF UTAH,
OFFICE OF THE BANK COMMISSIONER,
Salt Lake City, July 26, 1966.

Re S.B. 3158, Financial Institutions Supervisory Act of 1966.

Hon. WALLACE F. BENNETT,
U.S. Senator,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BENNETT: It is my understanding that the above proposed legislation Currency Committee for further considerawill come before the Senate Banking and tion next week. After following the development of this legislation and commentary on it to this point I should like to express my feelings about it before it comes up for further consideration:

I have objected to these sections of the original Bill which granted federal authorties the power to instigate "cease and desist" proceedings or the "suspension or removal" of an officer or director of a state-chartered institution without the concurrence of the appropriate state supervisory authority. I would not object to these sections, nor the Bill as a whole, if these sections are modified to provide that when federal authorities are dealing with state-chartered institutions and they cannot obtain the concurrence of the appropriate state supervisory authority in the action they propose, they may take action only after a finding has been served upon the state supervisor, setting forth the facts supporting the contemplated action to be taken together with a statement that compliance is essential for the protection of the insured institution and that the state supervisory authority does not concur in the proposed action to be taken.

The above modifications would satisfy my objections to the original Bill.

I am sending copies of this letter to Congressmen KING and BURTON and to Senator Moss for their information.

Very truly yours,
W. S. BRIMHALL,
Bank Commissioner.

Is it the understanding of the manager of the bill, the Senator from Wisconsin, that essentially this procedure would be followed under the bill or would it be necessary that an amendment be offered to accomplish this purpose?

Mr. PROXMIRE. The Senator is correct in his judgment that this notification procedure will be followed. If the State supervisor does not or cannot take the appropriate corrective action, and the Federal agency decides to go ahead with the proceeding, then it would notify the State supervisor that it is doing so. I have received the assurance of the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board that they intended to follow such a procedure.

I appreciate the support of the Senator from Utah for this legislation and consider that the suggestions he has made throughout the consideration of the bill have been very helpful in achieving acceptable legislation.

The ACTING PRESIDENT pro tempore. Under the previous agreement, the Senate will move to controlled time.

Mr. McCLELLAN. Mr. President, I send to the desk an amendment and ask that it be stated.

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

The legislative clerk proceeded to state the amendment.

Mr. McCLELLAN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with and that the amendment be printed at this point in the RECORD.

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

The amendment, ordered to be printed in the RECORD, is as follows:

At the end of the bill insert the following:

"TITLE III—MISCELLANEOUS

"Chartering of national banks

"SEC. 301. (a) Section 5169 of the Revised Statutes of the United States (12 U.S.C. 27) is amended to read as follows:

"'SEC. 5169. (a) After receiving a certificate and statement of facts from an association, as provided in section 5168, the Comptroller of the Currency shall (1) within ten days after the receipt of such statement (A) give written notice thereof to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the appropriate authority exercising supervisory functions over State banks in the State in which such association seeks to commence business as a national banking association, and (B) give public notice thereof in a newspaper of general circulation in the area in which such association seeks to commence business, and (2) if, within thirty days after the giving of such notices, request is made therefor by such Board, Corporation, authority, association, or other interested person, provide for a public hearing to be held in that part of such State which the Comptroller determines would be most directly affected by the issuance to such association of a certificate to commence business. As used in this section, the term "interested person" means, any association, firm, or corporation which resides or is doing business in the area determined by the Comptroller of the Currency to be the competitive area of such association in the event a certificate to commence business is issued to it.

"'(b)(1) Any hearing with respect to the issuance to any association of a certificate to commence business, as provided in subsection (a), shall be commenced not less than thirty or more than sixty days after request therefor is made to the Comptroller of the Currency. Notice of any such hearing, together with the names and addresses of the directors and stockholders of such association, shall be given in a newspaper of general circulation in the area in which such association seeks to commence business at least once a week for the two successive weeks immediately preceding such hearing. The Comptroller shall also give notice of such hearings to all parties of interest known to his office. The length of any such hearing shall be determined by the Comptroller, or such person as he may designate to conduct such hearing, but all interested persons shall be given an opportunity to appear and give evidence.

"'(2) For the purpose of any such hearing, the Comptroller of the Currency, or such person as he may designate to conduct such hearing, may administer oaths and affirmations, compel the attendance of witnesses, take depositions, and require the production of records or other papers which are relevant to the inquiry. For the purpose of any such hearing, the Comptroller or his designee may apply to any judge or clerk of any court of the United States within the State in which such hearing is held, to issue a subpena commanding each person to whom it is directed to attend and give testimony, or to produce records or other papers material to the inquiry, at a time and place specified. Witnesses subpenaed under this section shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States.

"'(3) In cases of refusal to obey a subpena issued to, or contumacy by, any person, the Comptroller of the Currency, or his designee, may invoke the aid of any court of the United

States within the State in which a hearing under this section is being held, in requiring the attendance and testimony of witnesses and the production of records or other papers. Any such court may issue an order requiring such person to appear before the Comptroller, or his designee, there to produce records, if so ordered, or to give testimony touching the matter in question; and any failure to obey such order may be punished by the court as a contempt thereof.

"'(c)(1) On the basis of any hearing held under this section, the Comptroller of the Currency shall determine whether (A) the association has fully complied with all applicable provisions of law requisite to the commencement of the business of banking as a national banking association, (B) the hearings have verified the source of the money paid in as capital, and the general background and reputable character of each of the proposed directors of such association, (C) each of the prospective shareholders, before making payment on their stock, have been provided with a circular setting forth the names of the proposed directors and describing their backgrounds and business contacts, (D) the prospective shareholders and directors are acting for undisclosed principals or if they are participating in undisclosed agreements in making such application, (E) the sole purpose contemplated by the shareholders of such association in forming the same is to accomplish the legitimate objects contemplated by this title, (F) the best interest of the public and the local community will be served by the issuance of such certificate, and (G) the association is lawfully entitled to commence the business of banking. At the conclusion of such hearing, the Comptroller of the Currency shall (i) carefully consider the testimony and other evidence adduced at such hearing, together with the certificate and statement of facts transmitted to him by such association, and (ii) if not otherwise included in the evidence adduced at such hearing, obtain, consider, and incorporate as part of the record made at such hearing the written views of the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the appropriate authority exercising supervisory functions over State banks in the State in which such association seeks to commence business as a national banking association, with respect to the granting or denying of a certificate to such association. Within a reasonable time after the conclusion of such hearing, the Comptroller of the Currency shall, on the record made therein and on the basis of any other relevant facts which may come to his attention, by order grant or deny a certificate to such association authorizing it to commence the business of banking.

"'(2) Any order issued by the Comptroller of the Currency under paragraph (1) shall be final and conclusive unless within thirty days after the issuance thereof an appeal is taken to the United States court of appeals for the circuit in which the association seeks to carry on banking operations by filing with the clerk of such court a petition praying that the Comptroller's order be set aside or modified in the manner stated in the petition. Such appeal may be taken by any party to the proceeding. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Comptroller, and thereupon the Comptroller shall file in the court the record upon which the order complained of was entered, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition such court shall have jurisdiction, which upon the filing of the record shall be exclusive, to affirm, set aside, or modify in whole or in part the order of the Comptroller. No objection to such order shall be considered by the court unless the objection was urged before the Comptroller, or unless there were reasonable grounds for failure to do so. The findings of the Comptroller as to the facts, if supported by substantial evidence, shall be conclusive. If application is made to the court for leave to adduce additional evidence, and it is shown to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the proceeding before the Comptroller, the court may order such additional evidence to be taken before the Comptroller and to be adduced upon the hearing in such manner and upon such terms as the court deems proper. The Comptroller may modify its findings as to the facts by reason of the additional evidence so taken, and it shall file with the court such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and its recommendations, if any, for the modification or setting aside of the original order. The judgment of the court affirming, setting aside, or modifying in whole or in part any order of the Comptroller shall be final, subject to review by the Supreme Court of the United States upon certification or certiorari as provided in section 1254 of title 28, United States Code.

"'(d) If a hearing is not requested, as provided in subsection (a), with respect to the issuance of a certificate to commence business to any association, the Comptroller of the Currency shall carefully examine the certificate and statements of facts transmitted to him, together with any other relevant facts which may come to his attention, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association or by such other means as he shall deem advisable and upon determining that (1) such association has fully complied with all applicable provisions of law requisite to the commencement of the business of banking as a national banking association, (2) an investigation has been made verifying the source of the money paid in as capital and the general background and reputable character of each of the proposed directors of such association, (3) the prospective shareholders of such association have been provided, before making payment on their stock, with a registration or offering circular setting forth the names of such proposed directors and describing their backgrounds and business interests, (4) the prospective shareholders and directors are not acting for undisclosed principals participating in any undisclosed agreements in making such application, (5) the sole purpose contemplated by the shareholders of such association in forming the same is to accomplish the legitimate objects contemplated by this title, (6) the best interest of the public and the local community will be served by the issuance of such certificate, and (7) such association is lawfully entitled to commence the business of banking, shall give to such association a certificate, under his hand and official seal, authorizing it to commence the business of banking. In making his determinations with respect to the granting or denying of a certificate to any association, the Comptroller shall obtain and consider the views of the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the appropriate authority exercising supervisory functions over State banks in the State in which such association seeks to commence business as a national banking association.

"'(e) In providing the bank supervisory authorities of the several States with information concerning applications by associations for certificates to commence business as national banking associations, as provided in subsection (a), the Comptroller of the Currency shall request such supervisory authorities to provide him, on a reciprocal basis, with comparable information with respect to applications received by such authorities from associations seeking permission to operate as State banking institutions.'"

The ACTING PRESIDENT pro tempore. The Senator from Arkansas is recognized for one-half hour.

Mr. McCLELLAN. Mr. President, I yield myself such time as I may require.

Mr. President, I thank the distinguished Senator from Wisconsin, the manager of the bill, for his very kind remarks on last Friday, which remarks appear on page 20087 of the CONGRESSIONAL RECORD for that day. He was very generous in saying that the pending bill is at least partly a result of work that was done by the Senate investigating subcommitee when it made an investigation of the misconduct, improper and bad conditions that existed in some segments of the banking circles of the country last year.

Mr. President, as I recall, I was the first witness to appear before the Committee on Banking and Currency to testify in support of the pending measure.

At the time I appeared, I had pending before that committee a bill, S. 2575, which was introduced in September 1965, and was cosponsored by a number of other members of the Permanent Subcommittee on Investigations.

I testified at that time that I supported the general objectives of the bill which is now pending before the Senate.

I did not testify in detail about it, Mr. President. At that time I had not had the opportunity to examine it thoroughly. But in principle I supported it. I support it today. I believe that tools are needed in order to protect the public interest and to protect the bank depositors in our country against exploitation by unwholesome and sometimes criminal interests and activities.

Mr. President, I should like to draw this distinction between the two bills, according to my interpretation of them. The bill before us provides a remedy after the disease has become an affliction, so to speak. It offers a cure after a bank has been exploited or after discovery that misconduct and dishonesty have occurred. I believe that dishonesty must be shown or found on the part of some of the bank's officials before a cease-and-desist order can be issued and before removal proceedings can be taken against the officers guilty of misconduct.

I should like to ask the distinguished manager of the bill, the Senator from Wisconsin, whether what I have stated so far is correct.

Mr. PROXMIRE. Personal dishonesty must be shown before an officer can be suspended or removed, but cease-and-desist orders can be issued without a showing of personal dishonesty.

Mr. McCLELLAN. But in order to remove an officer, personal dishonesty must be shown.

Mr. PROXMIRE. The Senator is correct.

Mr. McCLELLAN. Will the Senator state now what the conditions are before a cease-and-desist order can be issued?

Mr. PROXMIRE. Before the cease-and-desist order can be issued, I am reading from the report, on page 2.

. . . if they are or have violated a law, rule, regulation, or charter, or other written condition, or agreement, or have engaged or are engaging in an unsafe or unsound practice, or there is reasonable cause to believe they are about to do so.

So, in that sense, I would say that this bill would permit the prevention of the practices.

But I must also quickly add that it is difficult to anticipate that a firm is about to engage in these kinds of practices, unless a pattern has been established in some way in the past.

Mr. McCLELLAN. Does the bill contain any provisions that would prevent people who have such a reputation from securing a bank charter and going into the banking business?

Mr. PROXMIRE. Not in the bill, no; although there is a provision, in the bill as I recall it, to permit the removal of an officer who in the past has engaged in practices which have damaged a bank or other financial institution.

Mr. McCLELLAN. But that is after he has become an official of this bank.

Mr. PROXMIRE. The Senator is correct.

Mr. McCLELLAN. That has no relation to the obtaining of a charter.

Mr. PROXMIRE. The Senator is correct.

Mr. McCLELLAN. Mr. President, the amendment which I have offered, and which I expect to withdraw at the conclusion of my remarks, is the preventive measure that the subcommittee which conducted this investigation believes should be taken prior to the granting of a charter.

Our investigation uncovered some laxity in the granting of charters. I could mention a number of instances which we investigated in which a charter should never have been granted. For instance, Mr. President, the Brighton National Bank. Although the bank was in existence for only 21 months from the time it was chartered until it closed, a loss of $1.2 million was sustained.

Mr. President, that charter should never have been granted. The local interests pleaded with the Comptroller of the Currency to give them a hearing. That was denied. The character of the men who wanted to establish the bank was not looked into, as it should have been. The source of their capital investment was not checked. The fraudulent statements that they made to obtain the charter were not examined thoroughly. Therefore, a bank opened that should never have been permitted to open.

I say that there is nothing in this bill before us today that meets that situation or that improves the present law, so that a problem like that could be dealt with.

I ask the distinguished manager of the bill whether there is any such provision in it that would have required the Comptroller of the Currency, under those conditions, to look into the problem and thus examine and find out those facts and decline a charter.

Mr. PROXMIRE. I believe that the Senator from Arkansas has made an extremely strong case.

I would simply add two things—and these would not in any way reduce the force of the Senator's argument. Section 19 of the Federal Deposit Insurance Corporation law provides that except with the written consent of the corporation, no person shall serve as a director, officer, or employe of an insured bank who has been convicted or who is hereafter convicted of any criminal offense involving dishonesty or a breach of trust.

The second point is that as long as there is—as we are writing into the law now—a provision that an officer who engages in an unsound practice which damages the bank and which is a violation of the law, and which is a matter of personal dishonesty, he can be removed. This may act to deter him from acting in that way.

But I agree with the Senator from Arkansas wholeheartedly, that there is no provision either in the law or in this bill to provide for the kind of charter protection for the public and the depositors which the Senator from Arkansas is pleading for.

Mr. McCLELLAN. Does the Senator agree with me that the public and the depositors need such protection?

Mr. PROXMIRE. I believe that the Senator has made a very convincing case.

Mr. McCLELLAN. I point out that there is nothing in the law at present that compels or requires the Comptroller of the Currency to grant a hearing on a bank application. He can grant it in his discretion. As I recall, there were more than 500 applications for bank charters examined in a 3-year period of time, but there were only five public hearings.

The Brighton National Bank offers a concrete case where the community tried to get a public hearing and failed. Had a public hearing been granted, certainly these adverse and unfavorable and derogatory circumstances and facts would have been discovered, and surely the charter would not have been granted.

I go further: I ask whether there is anything in this bill that requires a disclosure, beyond the present law, of those who acquire a controlling interest in a bank after the bank has been chartered.

Mr. PROXMIRE. It is my understanding that that is not included in this bill, but the law that we passed about 2 years ago contains such a provision.

Mr. McCLELLAN. That requires the bank officials to disclose it.

Mr. PROXMIRE. The Senator is correct.

Mr. McCLELLAN. But if they have been deceived, they cannot disclose it. If they do not know the true applicants or know that there is a secret agreement—that there are some men just fronting in order to get the charter—they cannot report it.

Mr. PROXMIRE. The Senator is correct.

Mr. McCLELLAN. We seek in the bill that I have introduced to require also that those who acquire a controlling interest shall report. They would be required to do it and we would get the information as to who the true owners are. That bill, S. 2575, is now pending before the committee.

We developed two cases in the course of our hearings in which the same two men were involved. One man had a bad reputation. In fact, they were shysters by any standards that one would use to weigh their character and business activities. They had somebody front for them in both banks. That was also true in the Brighton Bank. The bank's organizers had a secret agreement about the person who was to get ultimate control of the bank.

In each of these cases front men were used to gain control of the bank, and the public did not know who the real owners were. Had they been investigated or had they had to report their ownership, it could have been immediately discovered.

The Senator has said he had no remedy. We do not, but we should be making a remedy. We should be immediately altered to the fact that some crooks or some fast-money artists have infiltrated an institution that has a fiduciary duty to the public, and thereupon protection could be provided.

This bill, as good as it is, is actually only a half of a loaf with respect to what is needed to correct these conditions.

I wish to add another thought. We found that there was a great lack of liaison and cooperation between the banking agencies. Is there anything in this bill that would require greater cooperation?

Mr. PROXMIRE. Not in this bill, no.

Mr. McCLELLAN. I shall demonstrate why we need that. Is there anything in the bill that requires the Comptroller of the Currency, the chairman of the FDIC, or the Federal Reserve System to report to the Department of Justice crimes in connection with banking, with respect to which the Department does not have knowledge or information?

Mr. PROXMIRE. There is nothing of this sort in the bill, but it is my understanding certainly, if the banking agencies are going to discharge their obligations they should give any information about crimes and criminal activities to the Department of Justice.

Mr. McCLELLAN. Certainly, they should, but is there anything to require it?

Mr. PROXMIRE. There is nothing in this bill.

Mr. McCLELLAN. Our hearings show emphatically and without any reservation that there is a complete lack of liaison between the Comptroller of the Currency, the FDIC, and the other agencies. The Comptroller of the Currency, with the examinations he makes, can and does acquire information that should be immediately transmitted to the FDIC. The FDIC does not get that information.

It is the Government which is involved in this matter. All the agencies are servants of the people. They represent the taxpayers of this country. I believe that any information that one agency obtains about conditions in a

bank, or about the operation of a bank, should be supplied to the other agencies having jurisdiction in the banking field, so that they will have it in making their judgments and decisions.

Mr. PROXMIRE. The Senator from Arkansas [Mr. McCLELLAN] is 100 percent correct. I agree wholeheartedly. I also wish to specify that this bill does not provide for that.

As I am sure the Senator will agree, these bills are not in any way overlapping, nor do they duplicate. They are complementary. This bill is not aimed at the difficulty to which the Senator from Arkansas [Mr. McCLELLAN] referred. The Senator is making a strong case.

Mr. McCLELLAN. I testified that they complement each other.

Mr. PROXMIRE. Yes, the Senator's hearings did point out that the lack of communication here is extremely important. It would have saved depositors and the public a substantial amount of money.

Mr. McCLELLAN. Yes. I would like to give a concrete illustration of what I regard as flagrant misfeasance in office. I wish to ask if this bill would do anything to correct it.

In May and June of 1964, a Federal bank examiner, examining the San Francisco National Bank, discovered criminal activities in that bank by its president and by others. He wrote a letter on June 22, 1964, to the U.S. district attorney having jurisdiction. That letter, which he sent through channels, went to the Comptroller's office in Washington. There was a long list of irregularities, violations, and criminal conduct on the part of the president of the bank.

That letter was retained. The information in it was withheld from the Department of Justice. The Department of Justice did not receive the letter until 8 months later, on February 26, 1965. That is the date when it was transmitted to the Department of Justice, and that was after the investigating subcommittee had investigated the bank and found that these conditions prevailed.

Mr. President, I ask unanimous consent to have inserted in the RECORD at this point the two letters to which I have referred, together with the attachments showing the crimes and the offenses that were referred to and reported to the Comptroller of the Currency for a period 8 months before he transmitted the letter to the Department of Justice.

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

FEBRUARY 26, 1965.

Hon. NICHOLAS DEB. KATZENBACH,
The Attorney General,
Washington, D.C.

DEAR MR. KATZENBACH: We are enclosing two copies of a letter addressed to the United States Attorney at San Francisco under date of June 22, 1964, by National Bank Examiner Victor E. Del Tredici in further reference to transactions at the San Francisco National Bank, San Francisco, California, which was placed in receivership on January 22, 1965.

Most of the information contained in this enclosure was covered in our communications with you under dates of January 27, 1965, and February 1, 1965.

Sincerely,

JAMES J. SAXON,
Comptroller of the Currency.

Enclosures.

JUNE 22, 1964.

Mr. CECIL F. POOLE,
U.S. Attorney,
Post Office Building,
San Francisco, Calif.

DEAR MR. POOLE: During the course of an examination of the San Francisco National Bank, 260 California Street, San Francisco, California, commenced May 6, 1964, the transactions, set forth in detail hereinbelow, initiated by President Don C. Silverthorne, which may be in contravention of Section 18, paragraph 215 of the United States Code, were disclosed. It appears that fees collected by the San Francisco National Bank from its borrowers in the form of checks payable to the San Francisco National Bank and fees collected by William S. Bennett, a bank customer, from borrowers who obtained loans from the San Francisco National Bank have been deposited to the account of Don C. Silverthorne during the period January 2, 1964, through May 13, 1964. Fees collected by William S. Bennett were deposited to the account of Suisun Properties, a sole ownership of William S. Bennett, carried with the San Francisco National Bank and portions of these funds were disbursed by checks drawn by Suisun Properties on its account with the San Francisco National Bank made payable to the San Francisco National Bank.

Date of deposit to account of Don C. Silverthorne, description and comments

	Amount of deposit
Jan. 10, 1965: A check drawn on San Francisco National Bank by Suisun Properties dated Jan. 9, 1964, in the amount of $2,500 payable to the San Francisco National Bank	$2,500
On Jan. 7, 1964, the San Francisco National Bank granted a loan to William S. Manning in the amount of $100,000.	
A check drawn on San Francisco National Bank by Manning Enterprises (William S. Manning) dated Jan. 7, 1964, in the amount of $10,000 payable to and endorsed by W. S. Bennett was deposited to the commercial account of Suisun Properties carried with the San Francisco National Bank on Jan. 7, 1964.	
Jan. 16, 1964: A check drawn on San Francisco National Bank by Joseph L. Giraudo dated Jan. 14, 1964, in the amount of $5,000 payable to the San Francisco National Bank	5,000
On Jan. 15, 1964, the San Francisco National Bank granted a loan to Joseph L. Giraudo in the amount of $155,000 to be used for a partial downpayment on some real estate.	
Jan. 16, 1964: A check drawn on San Francisco National Bank by Pacific Western Contractors, Inc. (John & Harry Riskas), dated Jan. 16, 1964, in the amount of $10,000 payable to the San Francisco National Bank	10,000
On Jan. 16, 1964, the San Francisco National Bank granted a loan to Pacific Western Contractors, Inc., in the amount of $75,000 to be used to purchase some land.	

Date of deposit to account of Don C. Silverthorne, description and comments—Con.

	Amount of deposit
Jan. 28, 1964: A check drawn on San Francisco National Bank by Suisun Properties dated Jan. 22, 1964, in the amount of $4,000 payable to the San Francisco National Bank	$18,000
A check drawn on the San Francisco National Bank by Suisun Properties dated Jan. 24, 1964, in the amount of $4,000 payable to the San Francisco National Bank.	
A check drawn on the San Francisco National Bank by Suisun Properties dated Jan. 27, 1964, in the amount of $10,000 payable to the San Francisco National Bank. Check was rejected on Jan. 28, 1964, and charged against the account of Suisun Properties on Jan. 29, 1964.	
On Jan. 23, 1964, the bank granted a loan to William R. Atkinson in the amount of $58,000 to be used to pay off a 2d deed of trust and current expenses.	
A check drawn on San Francisco National Bank by William R. Atkinson dated Jan. 22, 1964, in the amount of $8,000 payable to the San Francisco National Bank was exchanged for cashier's check No. 8690 dated Jan. 23, 1964, payable to and endorsed by W. S. Bennett and was deposited to the commercial account of Suisun Properties carried with the San Francisco National Bank on Jan. 28, 1964.	
On Jan. 28, 1964, the San Francisco National Bank granted a loan to Consolidated Holdings, Inc. (John S. Hoffmire), in the amount of $120,000 to be used for working capital.	
A check drawn on the San Francisco National Bank by Consolidated Holdings, Inc., dated Jan. 27, 1964, in the amount of $20,000 payable to and endorsed by W. S. Bennett was credited to the commercial account of Suisun Properties carried with the San Francisco National Bank on Jan. 29, 1964.	
Jan. 30, 1964: A check drawn on San Francisco National Bank by Suisun Properties dated Jan. 29, 1964, in the amount of $7,500 payable to the San Francisco National Bank	7,500
On Jan. 30, 1964, the San Francisco National Bank granted a loan to Ide & Scott Mortgage Service, Inc., in the amount of $110,000.	
A check drawn on the San Francisco National Bank by Ide & Scott Mortgage Service, Inc., dated Jan. 30, 1964, in the amount of $13,000, payable to and endorsed by W. S. Bennett was credited to the commerical account of Suisun Properties carried with the San Francisco National Bank on Feb. 3, 1964.	
Feb. 5, 1964: A check drawn on San Francisco National Bank by Peter Pappas dated Feb. 4, 1964, in the amount of $5,000, payable to the San Francisco National Bank	5,000
On Feb. 5, 1964, the San Francisco National Bank granted a loan to Peter Pappas in the amount of $90,000 for working capital, to pay off land on 23 unit lots, and Federal withholding taxes.	

Date of deposit to account of Don C. Silverthorne, description and comments—Con.

	Amounts of deposit
Feb. 17, 1964: A check drawn on the San Francisco National Bank by Suisun Properties dated Feb. 10, 1964, in the amount of $20,000, payable to San Francisco National Bank	$20,000
On Feb. 17, 1964, the San Francisco National Bank granted a loan to James D. Claitor in the amount of $240,000 to pay off various loans and for working capital.	
A check drawn on the San Francisco National Bank by James D. Claitor dated Feb. 10, 1964, in the amount of $40,000 payable to and endorsed by W. S. Bennett was credited to the commercial account of Suisun Properties carried with the San Francisco National Bank on Feb. 17, 1964.	
Feb. 18, 1964: A check drawn on San Francisco National Bank by Greystone Building Account (Myron Feigenberg & David Rosenberg) dated Feb. 18, 1964, in the amount of $10,000 payable to the San Francisco National Bank	10,000
On Feb. 18, 1964, the San Francisco National Bank granted a loan to Myron Feigenberg and David Rosenberg in the amount of $150,000 for the purchase and remodeling of the Greystone Building.	
Mar. 2, 1964: A check drawn on San Francisco National Bank by Suisun Properties dated Feb. 28, 1964, in the amount of $20,000 payable to the San Francisco National Bank	20,000
On Mar. 2, 1964, the San Francisco National Bank granted a loan to Pacific Western Contractors, Inc., in the amount of $190,000.	
No CR-115B on file, however, there is one for $100,000 for the same date, which says funds are to be used to assist in the construction of a 40-unit apartment at 17th and Market Sts.	
A check drawn on San Francisco National Bank by Pacific Western Contractors, Inc., dated Mar. 2, 1964, in the amount of $30,000 payable to and endorsed by W. S. Bennett was deposited to the commercial account of Suisun Properties carried with the San Francisco National Bank on Mar. 2, 1964.	
Mar. 3, 1964: A check drawn on San Francisco National Bank by Paul D. Apfelbaum dated Mar. 2, 1964, in the amount of $10,000 payable to the San Francisco National Bank. Check was rejected on Mar. 3, 1964, and posted to Paul D. Apfelbaum's account on Mar. 4, 1964	19,500
A check drawn on San Francisco National Bank by Phillips Realty (Charles Mosser) dated Mar. 2, 1964, in the amount of $2,000 payable to San Francisco National Bank.	
A check drawn on San Francisco National Bank by Dunn Construction Co. (Modern Dunn) dated Mar. 2, 1964, in the amount of $7,500 payable to San Francisco National Bank.	
On Mar. 2, 1964, the San Francisco National Bank granted a loan to Paul D. Apfelbaum in the amount of $100,000 to purchase a 60-unit apartment house.	

Date of deposit to account of Don C. Silverthorne, description and comments—Con.

	Amounts of deposit
Mar. 3, 1964—Continued	
On Mar. 2, 1964, the San Francisco National Bank granted a loan to Charles Mosser in the amout of $45,000 to purchase a 62-unit apartment house on 10th Ave.	
On Mar. 3, 1964, the San Francisco National Bank granted a loan to Morden Dunn in the amount of $75,000 to pay off a $70,000 loan on some property at 27 August St.	
Mar. 6, 1964: A check drawn on the San Francisco National Bank by Suisun Properties dated Mar. 5, 1964, in the amount of $25,000 payable to the San Francisco National Bank	$25,000
On Mar. 5, 1964, the San Francisco National Bank granted a loan to Inglis Associates in the amount of $250,000 to close a sale on 24.2 acres in Novato.	
A check drawn on San Francisco National Bank by Inglis Associates dated Mar. 5, 1964, in the amount of $50,000 payable to and endorsed by W. S. Bennett was credited to the commercial account of Suisun Properties carried with the San Francisco National Bank on Mar. 6, 1964.	
May 1, 1964: A check drawn on the San Francisco National Bank by Paul D. Apfelbaum dated Apr. 30, 1964, in the amount of $15,000 payable to the San Francisco National Bank	15,000
On May 1, 1964, the San Francisco National Bank granted a loan to Paul D. Apfelbaum in the amount of $122,000 to complete purchase of the Paisley Hotel, San Francisco, Calif.	
Total	157,500

The bank's records also disclosed the following checks drawn on and payable to the San Francisco National Bank which were cash paid without endorsements:

Date account charged:	*Amount*
Feb. 20, 1964: Drawn by Suisun Properties' check dated Feb. 20, 1964. On Feb 20, 1964, the San Francisco National Bank granted a loan in the amount of $80,000 to John S. Hoffmire	$5,000
A check drawn on San Francisco National Bank by Consolidated Holdings, Inc. (John S. Hoffmire) dated Feb. 19, 1964, in the amount of $10,000 payable to and endorsed by W. S. Bennett was credited to the account of Suisun Properties on Feb. 20, 1964. Consolidated's check was rejected on Feb. 20, 1964, and subsequently paid on Feb. 21, 1964.	
Apr. 10, 1964: Drawn by Suisun Properties' check dated Apr. 10, 1964. On Apr. 9, 1964, the San Francisco National Bank granted a loan in the amount of $132,000 to Matthew L. Biscotti	5,000
A check drawn on Bank of America NT&SA, Millbrae Branch, by Matthew L. Biscotti dated Apr. 9, 1964, in the amount of $17,000 payable to and endorsed by W. S. Bennett was credited to the account of Suisun Properties on Apr. 10, 1964.	
Total	10,000

Also deposited to the account of Don C. Silverthorne were funds aggregating $650,471.01. These funds represent proceeds of loans granted by the San Francisco National Bank to numerous customers for the purchase of San Francisco National Bank stock at various prices, in many instances substantially in excess of local market quotations. Generally, securities were subsequently purchased by Don C. Silverthorne for delivery to said customers. It would appear that Don C. Silverthorne personally received commissions through the aforementioned transactions for loans granted, represented by the difference between his cost and the price he received for the bank stock delivered to customers of the bank.

Very truly yours,

VICTOR E. DEL TREDICI,
National Bank Examiner.

Mr. McCLELLAN. Mr. President, I wish to ask the distinguished Senator whether there is anything in the pending bill dealing with the misfeasance of officers having Federal responsibility in connection with the supervision of banks.

Mr. PROXMIRE. No. As I understand it, if the proposals of the Senator had been in effect, it would have been mandatory for the Comptroller of the Currency to have communicated this information to the Department of Justice and the Federal Deposit Insurance Corporation. That is not covered in this bill. But at the present time, under present law, it would not be possible, in a similar situation with savings and loan institutions, for the head of the Home Loan Bank Board to act with a cease-and-desist order or removal. The Board says that it has considerable power to act, but it is under such drastic and cumbersome legislation that it would in most cases be inhibited from acting.

The points of the Senator are strong and persuasive. I believe they are not reached by this legislation. I believe that the Senator would agree with me that that does not mean that this legislation is not essential to correct violations of law and unsound practices that might otherwise cause great loss to depositors. But the provisions to which the Senator from Arkansas is referring are not covered.

Mr. McCLELLAN. I have given the proposed legislation my support both before the committee and on the floor of the Senate. All I am emphasizing is that the bill does not go far enough if we expect to remove the conditions complained of and if we are to provide the tools that are needed to tighten the laws so that better supervision can be provided for the necessary protection of the public and Federal interests.

I merely wanted to emphasize these matters and to point out that had action been taken, several million of the $20 million lost by letting the San Francisco National Bank stay open would not have occurred.

To show the need of the requirement for better liaison, I cite the fact that on the very day the San Francisco National Bank closed, the Federal Reserve bank granted it another $1.5 million loan. From the time the letter I referred to had been written until the date the bank closed, the Federal Reserve bank had granted it more than $9 million in loans. Had there been efficient administration,

such as would have been suggested by a competent, dedicated Federal official, and had such action been taken by the Comptroller of the Currency, many of these losses would not have occurred.

I point out to the distinguished Senator from Wisconsin that we know about other banks, that we have not brought to the public's attention, in which similar conditions prevail. The investigation made by the Permanent Subcommittee on Investigations resulted in the indictment of 26 persons altogether. Much of the information upon which the last 19 were indicted was secured by the subcommittee and never placed in the public hearings; but it was available for use by the Department of Justice in grand jury actions. But in the cases of the several banks which we exposed and brought to public light, seven persons were indicted, including the president of the San Francisco National Bank, who stood trial and was convicted, as was his partner in crime, a man named Bennett, who was working with him to help to defraud the bank.

Five of the seven have already been convicted. Two are awaiting trial. In all probability—although no one can be sure, conviction awaits them also. It is clear that these hearings do some good in exposing and bringing criminals to light. We try to convict them when they are discovered, but perhaps we are unable to convict some because they are able to circumvent the law.

All I am trying to do is emphasize that the bill before the Senate is insufficient. I had hoped that both bills would be considered and the committee would have reported a bill containing the best provisions of the two, and, thus, the Congress would be able to enact this much-needed legislation in order to try to solve the problem.

Since that is not true, since there is only one bill, which is half a loaf or less, the only thing we can do today is plead with the Committee on Banking and Currency to take up the other bill and weigh its merits. I do not say that it is perfect. I can offer some amendments to it myself and other members of the committee can do likewise. Just as was done in the pending bill, revisions were needed and made. I am sure we will find the same thing to be true with respect to the bill which I introduced, and which was cosponsored by members of the subcommittee. However, I do say that if Congress stops with the bill that is now before it, and if that is the only one enacted into law, it will fall short of meeting its responsibilities to try and remedy, correct, and prevent a reoccurrence of some of the conditions which the committee has exposed.

As early as it can do so, I hope that the committee will undertake to consider S. 2575.

I want to express my appreciation for the courtesies which the committee has extended to me. It set a date to begin hearings. Unavoidably, through no fault of my own, I had to have that date canceled and request another. The chairman of the committee very kindly suggested two or three other dates on which they might meet, in order to hear my testimony; and that will be arranged, I am sure, at a convenient time, right away.

I emphasize today that it is not just a matter of hearing my testimony and then holding no more hearings, but that we must not do a halfway job.

Much of the time, we spend our efforts in doing arduous, tedious, and unpleasant tasks, and then our efforts go to waste. I hope we can get the sufficient interest in this matter which is required and necessary to get action on the bill, to get it revised where it needs revision, and bring in a bill, as we did here, that will be enacted into law at this session of Congress.

Mr. PROXMIRE. Mr. President, I yield, from the time on my side on the amendment, 10 minutes to the Senator from Arkansas.

The ACTING PRESIDENT pro tempore. The Senator from Arkansas is recognized for 10 additional minutes.

Mr. McCLELLAN. I thank the Senator from Wisconsin. Again I say for the RECORD, I merely offer the amendment, with the idea of withdrawing it because we are under controlled time, so that we could have time to discuss it. The amendment contains a provision, section 1, of S. 2575, concerning the provisions and remedies which I have been discussing and seek to have enacted into law.

Mr. MUNDT. Mr. President, will the Senator from Arkansas yield?

Mr. McCLELLAN. I am happy to yield to the Senator from South Dakota.

Mr. MUNDT. I congratulate the Senator from Arkansas, the chairman of the Permanent Investigations Subcommittee on taking the floor today to point up, number one that while S. 3158, in our opinion, and based on our investigation, is a worthwhile piece of legislation and makes an important step in the right direction, at the same time, it is but a small step on a long journey if we are really going to protect the general public against the kind of corruption, fraud, and carelessness which was discussed at the time the subcommittee was investigating the banking industry.

I am glad, too, that the Senator has urged the Committee on Banking and Currency to give us an opportunity for adequate hearings not only to hear from the members of the subcommittee, in which the Senator from Ohio [Mr. LAUSCHE] has joined, in introducing S. 2575, but also the representatives of the banking industry—and, as a matter of fact, anyone else in the private sector who has knowledge in this field.

Knowing the distinguished Senator from Wisconsin [Mr. PROXMIRE] as I do, and admiring his diligence, I feel confident that if we do not try to press amendments now to S. 3158, thereby enacting a patchwork piece of legislation, some of which would not have had adequate hearings, I feel sure he will give us the assurance that he will hold early hearings so that we can get on with the rest of the job.

That is the real thing we have in mind.

I see the Senator from Wisconsin is nodding his head, which to me spells affirmation, and I think it means the same to the Senator from Wisconsin.

Mr. PROXMIRE. The Senator from Arkansas has said that he would be in touch with the chairman of the committee, the Senator from Virginia [Mr. ROBERTSON], and he hopes that they will be able to work out a mutually satisfactory time.

Mr. MUNDT. Yes. Let me say one other thing. I admire, applaud, and echo what the distinguished Senator from Arkansas has stated when he emphasized the fact that investigations are arduous and frequently unpleasant. This is so because it is never a happy task to expose a fellow citizen because of corruption or because of some inadequacy. It is so easy in this world to get into trouble and so hard to keep out of trouble that one can very easily sympathize with someone who finds himself in trouble. The investigative functions of Congress play a very important role in developing proper governmental performance standards and in developing legislation.

A long time ago a great Democrat, Woodrow Wilson, then President of the United States, said he considered the investigative power of Congress among its most important responsibilities and obligations.

I am delighted that the chairman of the Permanent Investigations Subcommittee, who has conducted a great many investigations, has emphasized that fact here and now today in view of the completely ill-advised, ill-tempered, and highly ephemeral finding by a judge in connection with an investigative committee of another body that would seriously cripple and undermine this investigative function of the Congress. An appeal panel has, in effect, very properly in my judgment, reprimanded that judge, who tried to invade the legislative functions of the Congress on the part of the judiciary, and has overridden his unfortunate verdict.

I hope this is the last we hear from any judge who has developed such a sense of arrogance of authority on the part of the judicial branch to the extent that he thinks he has the right to tell the committees of Congress how to operate.

I think it is appropriate that shortly thereafter the chairman of the Permanent Investigations Committee emphasized the constructive reports that result from the rather disagreeable responsibility of committees to make such investigations.

With the assurance we have had that the Senator from Alabama and the Banking and Currency Committee will vigorously pursue this matter—and the Senator from Wisconsin has renewed that assurance with a nod of his head—we will have an opportunity to have hearings and have an opportunity to consider S. 2575, with whatever amendments may be appropriate, so that there may be an opportunity to have the necessary legislation to fully try to safeguard the general public from invasion of financial institutions by certain disreputable individuals.

Mr. PROXMIRE. Mr. President, I yield such additional time to the Senator from Arkansas as he may require.

The PRESIDING OFFICER (Mr. HART in the chair). The Senator from Arkansas is recognized.

Mr. McCLELLAN. Mr. President, before I conclude, let me say that I made reference to some bank losses and manipulations that I think could be remedied by the bill I referred to, which we introduced. I was referring particularly to the issuing of charters and also to changes of control in banks, because the Federal authorities can be deceived unless those who acquire control of a bank are also required to report that change. I mentioned the San Francisco National Bank, and the loss of approximately $20 million. Somebody will have to absorb that loss. Some of it will be by the FDIC. There will be other losses to the depositors. There will be other losses to the Federal Reserve System.

I mentioned the Brighton National Bank and said that it went under in 21 months. It did so with a loss of $1.2 million.

There were two other banks which devious characters invaded. One of them sustained a loss of $700,000. Another was the First National Bank of Marlin, Tex., with a loss of $210,000.

Remember, Mr. President, these are small banks.

We found another area where there was a complex of eight small banks in Missouri and Colorado. A scheme was underway to secure control of those small banks.

I wish to mention one other thing. We have made a comprehensive investigation of one particular bank. I shall not mention the name of the bank at this time. This case emphasizes the need for legislation in this field. A charter was granted by Mr. Saxon in 1964. Within 6 months the original charterers were replaced by new owners who, in turn, were replaced 2 months later by a third group which uses a syndicated name which I shall not mention. Efforts have been made to conceal the true owners of the business syndicate that controls the majority stock.

Within 2 years of its chartering, the bank was closed, and a new charter was issued to another bank, whose name I shall withhold. The bank is now under good management. Banking interests have stepped in to save it, and it was taken over under another name.

The losses of this bank, whose bad notes and assets were taken over by the FDIC, amounted to $1.2 million. It is anticipated that only 10 or 15 percent of this amount will be recovered.

There are two others that I could mention, but on the record, the Senate should be persuaded that further legislation is needed.

I want to thank the distinguished manager of the bill for his courtesy and for his cooperation in this regard. I must leave the Chamber for urgent personal reasons, which may necessitate my being absent the remainder of the day from the Chamber. I wish again to announce my support of the bill, but I would want the RECORD to reflect emphatically and without reservation that this bill, good as it is, is more a cure than it is a preventive, and that we should apply a preventive as well as a cure. We will provide only a partial legislative remedy if we simply enact this bill and do not go any further.

I wish to thank my distinguished friend.

Mr. President, I ask unanimous consent to withdraw the amendment which I offered——

Mr. PROXMIRE. Mr. President, will the Senator yield before he does that?

Mr. McCLELLAN. I yield.

Mr. PROXMIRE. I wish to say two things. In the first place, as I said on Friday, and I reiterate, there is no question that, investigating committees perform a tremendously useful function. I think the Senator from Arkansas [Mr. McCLELLAN] has received far too little credit for his great work. Other Senators who introduce legislation based on the investigations of his committee get the credit.

And it is just this important function of the legislative process of the Congress this investigation by the McClellan committee which has produced this bill, McClellan bill, S. 2575 which is a good bill, and which certainly will get the closest consideration by the committee.

I ask unanimous consent to have printed at this point in the RECORD, S. 2575, the bill to which the Senator from Arkansas referred and which was introduced for himself and other Senators.

There being no objection, the bill (S. 2575) was ordered to be printed in the RECORD, as follows:

S. 2575

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

CERTIFICATE OF AUTHORITY TO COMMENCE BANKING

SECTION. 1. (a) Section 5169 of the Revised Statutes of the United States (12 U.S.C. 27) is amended to read as follows:

"SEC. 5169. (a) After receiving a certificate and statement of facts from an association, as provided in section 5168, the Comptroller of the Currency shall (1) within ten days after the receipt of such statement (A) give written notice thereof to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the appropriate authority exercising supervisory functions over State banks in the State in which such association seeks to commence business as a national banking association, and (B) give public notice thereof in a newspaper of general circulation in the area in which such association seeks to commence business, and (2) if, within thirty days after the giving of such notices, request is made therefore by such Board, Corporation, authority, association, or other interested person, provide for a public hearing to be held in that part of such State which the Comptroller determines would be most directly affected by the issuance to such association of a certificate to commence business. As used in this section, the term 'interested person' means, any association, firm, or corporation, which resides or is doing business in the area determined by the Comptroller of the Currency to be the competitive area of such association in the event a certificate to commence business is issued to it.

"(b)(1) Any hearing with respect to the issuance to any association of a certificate to commence business, as provided in subsection (a), shall be commenced not less than thirty or more than sixty days after request therefor is made to the Comptroller of the Currency. Notice of any such hearing, together with the names and addresses of the directors and stockholders of such association, shall be given in a newspaper of general circulation in the area in which such association seeks to commence business at least once a week for the two successive weeks immediately preceding such hearing. The Comptroller shall also give notice of such hearings to all parties of interest known to his office. The length of any such hearing shall be determined by the Comptroller, or such person as he may designate to conduct such hearing, but all interested persons shall be given an opportunity to appear and give evidence.

"(2) For the purpose of any such hearing, the Comptroller of the Currency, or such person as he may designate to conduct such hearing, may administer oaths and affirmations, compel the attendance of witnesses, take depositions, and require the production of records or other papers which are relevant to the inquiry. For the purpose of any such hearing, the Comptroller or his designee may apply to any judge or clerk of any court of the United States within the State in which such hearing is held, to issue a subpena commanding each person to whom it is directed to attend and give testimony, or to produce records or other papers material to the inquiry, at a time and place specified. Witnesses subpenaed under this section shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States.

"(3) In cases of refusal to obey a subpena issued to, or contumacy by, any person, the Comptroller of the Currency, or his designee, may invoke the aid of any court of the United States within the State in which a hearing under this section is being held, in requiring the attendance and testimony of witnesses and the production of records or other papers. Any such court may issue an order requiring such person to appear before the Comptroller, or his designee, there to produce records, if so ordered, or to give testimony touching the matter in question; and any failure to obey such order may be punished by the court as a contempt thereof.

"(c)(1) On the basis of any hearing held under this section, the Comptroller of the Currency shall determine whether (A) the association has fully complied with all applicable provisions of law requisite to the commencement of the business of banking as a national banking association, (B) the hearings have verified the source of the money paid in as capital, and the general background and reputable character of each of the proposed directors of such association, (C) each of the prospective shareholders, before making payment on their stock, have been provided with a circular setting forth the names of the proposed directors and describing their backgrounds and business contacts, (D) the prospective shareholders and directors are acting for undisclosed principals or if they are participating in undisclosed agreements in making such application, (E) the sole purpose contemplated by the shareholders of such association in forming the same is to accomplish the legitimate objects contemplated by this title, (F) the best interest of the public and the local community will be served by the issuance of such certificate, and (G) the association is lawfully entitled to commence the business of banking. At the conclusion of such hearing, the Comptroller of the Currency shall (i) carefully consider the testimony and other evidence adduced at such hearing, together with the certificate and statement of facts transmitted to him by such association, and (ii) if not otherwise included in the evidence

adduced at such hearing, obtain, consider, and incorporate as part of the record made at such hearing the written views of the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the appropriate authority exercising supervisory functions over State banks in the State in which such association seeks to commence business as a national banking association, with respect to the granting or denying of a certificate to such association. Within a reasonable time after the conclusion of such hearing, the Comptroller of the Currency shall, on the record made therein and on the basis of any other relevant facts which may come to his attention, by order grant or deny a certificate to such association authorizing it to commence the business of banking.

"(2) Any order issued by the Comptroller of the Currency under paragraph (1) shall be final and conclusive unless within thirty days after the issuance thereof an appeal is taken to the United States court of appeals for the circuit in which the association seeks to carry on banking operations by filing with the clerk of such court a petition praying that the Comptroller's order be set aside or modified in the manner stated in the petition. Such appeal may be taken by any party to the proceeding. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Comptroller, and thereupon the Comptroller shall file in the court the record upon which the order complained of was entered, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition such court shall have jurisdiction, which upon the filing of the record shall be exclusive, to affirm, set aside, or modify in whole or in part the order of the Comptroller. No objection to such order shall be considered by the court unless the objection was urged before the Comptroller or unless there were reasonable grounds for failure to do so. The findings of the Comptroller as to the facts, if supported by substantial evidence, shall be conclusive. If application is made to the court for leave to adduce additional evidence, and it is shown to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the proceeding before the Comptroller, the court may order such additional evidence to be taken before the Comptroller and to be adduced upon the hearing in such manner and upon such terms as the court may deem proper. The Comptroller may modify its findings as to the facts by reason of the additional evidence so taken, and it shall file with the court such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and its recommendations, if any, for the modification or setting aside of the original order. The judgment of the court affirming, setting aside, or modifying in whole or in part any order of the Comptroller shall be final, subject to review by the Supreme Court of the United States upon certification or certiorari as provided in section 1254 of title 28, United States Code.

"(d) If a hearing is not requested, as provided in subsection (a), with respect to the issuance of a certificate to commence business to any association, the Comptroller of the Currency shall carefully examine the certificate and statements of facts transmitted to him, together with any other relevant facts which may come to his attention, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association or by such other means as he shall deem advisable and upon determining that (1) such association has fully complied with all applicable provisions of law requisite to the commencement of the business of banking as a national banking association, (2) an investigation has been made verifying the source of the money paid in as capital and the general background and reputable character of each of the proposed directors of such association, (3) the prospective shareholders of such association have been provided, before making payment on their stock, with a registration or offering circular setting forth the names of such proposed directors and describing their backgrounds and business interests, (4) the prospective shareholders and directors are not acting for undisclosed principals participating in any undisclosed agreements in making such application, (5) the sole purpose contemplated by the shareholders of such association in forming the same is to accomplish the legitimate objects contemplated by this title, (6) the best interest of the public and the local community will be served by the issuance of such certificate, and (7) such association is lawfully entitled to commence the business of banking, shall give to such association a certificate, under his hand and official seal, authorizing it to commence the business of banking. In making his determinations with respect to the granting or denying of a certificate to any association, the Comptroller shall obtain and consider the views of the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the appropriate authority exercising supervisory functions over State banks in the State in which such association seeks to commence business as a national banking association.

"(e) In providing the bank supervisory authorities of the several States with information concerning applications by associations for certificates to commence business as national banking associations, as provided in subsection (a), the Comptroller of the Currency shall request such supervisory authorities to provide him, on a reciprocal basis, with comparable information with respect to applications received by such authorities from associations seeking permission to operate as State banking institutions."

CONVERSION OF STATE CHARTER BANKS TO NATIONAL BANKS

SEC. 2. Section 5154 of the Revised Statutes of the United States (12 U.S.C. 35) is amended by striking out the proviso in the first sentence and inserting in lieu thereof the following: ": *Provided*, That the Comptroller of the Currency shall request and consider the views of the Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation before approving any such conversion, and no such conversion shall be approved if it is in contravention of State law".

OATH OF OFFICE FOR DIRECTORS OF NATIONAL BANKS

SEC. 3. Section 5147 of the Revised Statutes of the United States (12 U.S.C. 73) is amended by striking out "and in his own right" and inserting in lieu thereof the following: "in his own right, and not as an agent for an undisclosed principal".

EXCHANGE OF INFORMATION CONCERNING BANKS BY SUPERVISORY AGENCIES

SEC. 4. Section 10(f) of the Federal Deposit Insurance Act (12 U.S.C. 1820(f) is amended to read as follows:

"(f) The Corporation shall furnish promptly and without charge to the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and any Federal Reserve bank a summary of information contained in any report of examination madet on behalf of, and any report of condition made to it, with respect to any bank over which said Comptroller, Board, or bank exercises supervisory functions, and said Comptroller, Board, and bank shall furnish promptly and without charge to the Corporation a summary of information contained in any report of examination made by, and any report of condition made to it, with respect to any insured bank. The officer or agency entitled to receive such summary may at its discretion request initially a full copy of the pertinent report and materials supporting such report, and such information shall be furnished promptly and without charge. The Corporation may accept any report made by or to any commission, board, or authority having supervision of a State nonmember bank (except a District bank), and may furnish to any such commission, board, or authority, reports of examinations made on behalf of, and reports of conditions made to, the Corporation."

PAYMENT OF COMPENSATION BY INSURED OR MEMBER BANKS FOR OBTAINING DEPOSITS

SEC. 5.(a) Section 18(g) of the Federal Deposit Insurance Act (12 U.S.C. 1828(g)) is amended (1) by inserting "(1)" after "(g)", (2) by striking out the next to the last sentence thereof, and (3) by adding at the end thereof the following paragraphs:

"(2) No insured nonmember bank, or any officer, director, agent, or substantial stockholder thereof, shall pay or agree to pay a broker, finder, or other person compensation for obtaining a deposit for such bank, except as the Board of Directors may by regulation prescribe. For the purposes of this paragraph, any payment made by any other person to induce the placing of a deposit in such bank shall be deemed to be a payment of such compensation by the bank if the bank had or reasonably should have had knowledge of such payment by such person when it accepted the deposit.

"(3) Any violation by an insured nonmember bank of the provisions of this subsection or of regulations issued hereunder shall subject such bank to a penalty of not more than 10 per centum of the amount of the deposit to which such violation relates. The Corporation may recover such penalty, by suit or otherwise, for its own use, together with the costs and expenses of such recovery.

"(4) The Board of Directors is authorized by regulation to prescribe what shall be deemed to be (A) a payment of interest by a nonmember insured bank (which shall include an agreement to pay interest and may include payments to the depositor or any other person made by an officer, director, agent, or substantial stockholder thereof or by any other person if the bank had or reasonably should have had knowledge of such payment by such other person when it accepted the deposit), (B) a payment of compensation, and (C) a substantial stockholder, for the purposes of this subsection and regulations issued pursuant thereto, and to prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this subsection and prevent evasions thereof."

(b) Section 19 of the Federal Reserve Act is amended by inserting the following paragraphs after the thirteenth paragraph thereof (12 U.S.C. 371b):

"No member bank, or any officer, director, agent, or substantial stockholder thereof, shall pay or agree to pay a broker, finder, or other person compensation for obtaining a deposit for such bank, except as the Board of Governors of the Federal Reserve System may by regulation prescribe. For the purposes of this paragraph, any payment made by any other person to induce the placing of a deposit in such bank shall be deemed to be a payment of such compensation by the bank if the bank had or reasonably should have had knowledge of such payment by such person when it accepted the deposit.

"Any violation by a member bank of the provisions of this section, or the regulations issued hereunder relating to payment of deposits and interest thereon and payment of compensation for obtaining deposits, shall subject such bank to a penalty of not more than 10 per centum of the amount of such deposit to which such violation relates. Such penalty may, by direction of the Board of Governors of the Federal Reserve System, be recovered by redesignating subsection (h) as subsection (k), and by inserting after subsection (g) a new subsection as follows:

"(h)(1) Effective upon the expiration of ninety days after the date of enactment of this subsection, it shall be unlawful for any person to accept or agree to accept any commission, fee, or other compensation for brokerage service in connection with the obtaining of funds, aggregating more than $100,000 in any calendar year, for deposit in any insured bank, unless such person has, in accordance with rules and regulations prescribed by the Corporation, filed an application with the Corporation and, upon the basis of such application, been issued a certificate of registration.

"(2) Any person willfully violating this subsection will be fined not more than $5,000 or imprisoned not more than one year, or both."

REPORTS BY INSURED BANKS WITH RESPECT TO FUNDS HELD IN EXCHANGE FOR CERTIFICATES OF DEPOSITS

SEC. 7. Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is further amended by inserting after subsection (h) (added by section 6) a new subsection as follows:

"(i) (1) At the discretion of the Corporation, any bank the deposits of which are insured by the Corporation shall make to the Corporation, in such form and at such times as the Board of Directors of the Corporation may prescribe, reports setting forth (A) the funds held by such bank in exchange for certificates of deposit by any one person, firm, or corporation in an amount or amounts aggregating $100,000 or more, (B) the name and address of the person or entity to whom any such certificate of deposit was issued, (C) the name and address of the person, if any, which provided brokerage service in connection with obtaining the funds in exchange for which any such certificate of deposit was issued, and (D) the amount such bank, or any of its officers, directors, agents, or substantial stockholders (as defined by such Corporation), paid, or contracted to pay, in connection with the acquisition and use of the funds in exchange for which any such certificate of deposit was issued.

"(2) A copy of each report made under this subsection shall be furnished promptly and without charge by the Corporation to (A) the Comptroller of the Currency, if the bank making the report is a national banking association or a bank operating under the Code of Law for the District of Columbia, and (B) the Board of Governors of the Federal Reserve System, if the bank making the report is not described in clause (A) and is a member of the Federal Reserve System.

"(3) Any bank which fails to make any report required by this section shall be subject to a penalty of not more than $100 for each day of such failure, recoverable by the Corporation for its use."

AUDIT OF BOOKS OF BANKS THE DEPOSITS OF WHICH ARE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION

SEC. 8. (a) Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is further amended by inserting after subsection (i) (added by section 7) a new subsection as follows:

"(j) Whenever such action is deemed warranted by the Board of Directors of the Corporation, the Corporation may require the financial transactions and records of an insured bank to be audited by a certified public accountant, in accordance with regulations prescribed by the Corporation, and the expense of any such audit shall be borne jointly by the Corporation and such bank. A report on any such audit shall be submitted to the Corporation and, if the bank is a national banking association, district bank, or State member bank, to the appropriate Federal bank supervisory agency. Regulations prescribed by the Corporation under this subsection shall be designed to assure that any such audits will (1) reveal the accuracy and authenticity of a bank's records, (2) verify the adequacy and value of collateral for loans made by the bank, (3) demonstrate the ratio between secured and unsecured loans made by the bank, and (4) show whether the financial statement of the bank fairly presents its true financial condition. For each day that a report of the audit of any bank is not filed, as required by this subsection and any regulations issued thereunder, as the result of the failure of such bank to provide for such audit or to make available all records and documents necessary thereto, such bank shall be subject to a penalty of not more than $100 which the Corporation may recover for its use. As used in this subsection, the term 'Federal bank supervisory agency' means (A) the Comptroller of the Currency in the case of a national bank or a district bank, and (B) the Board of Governors of the Federal Reserve System in the case of a State member bank (other than a district bank)."

PERSONS CONVICTED OF A CRIME PARTICIPATING IN MANAGEMENT AND POLICIES OF AN INSURED BANK THROUGH STOCK OWNERSHIP

SEC. 9. Section 19 of the Federal Deposit Insurance Act (12 U.S.C. 1829) is amended by inserting "(a)" immediately following "SEC. 19." and by adding at the end thereof a new subsection as follows:

"(b) Except with the written consent of the Corporation, no person who has been convicted of a crime involving moral turpitude for which a sentence of imprisonment for one year or more may be imposed shall hereafter directly or indirectly participate, through stock ownership, management or control, in the operation, management, policies or control of an insured bank. Any person willfully violating the provisions of this subsection shall be fined not more than $5,000 or imprisoned not more than one year, or both."

ACQUISITION OF STOCK OF FEDERALLY INSURED BANKS

SEC. 10. (a) Section 7(j)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(1)) is amended by inserting before "the president or other chief executive officer" the following: "the purchasers, or their transferees, of the stock resulting in such control or change of control, and".

(b) Section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)) is further amended by redesignating paragraph (6) as paragraph (9), and by inserting after paragraph (5) the following:

"(6) It shall be unlawful for any person to extend, obtain, or maintain credit for the purpose of purchasing the shares of the capital stock of any insured bank (including any association being organized for carrying on business as a national banking association), if the stock of such bank is used as collateral to secure such extension of credit, and (A) the amount of the credit extended exceeds 33⅓ per centum of the purchase price of such stock, and (B) as a result of the purchase of such shares, any person will acquire control of such bank. This paragraph shall take effect upon the expiration of thirty days after the date of its enactment.

"(7) Whenever a change occurs, in one transaction, involving 10 per centum or more of the outstanding voting stock of any insured bank such change shall be deferred thirty days for a review of the factors involved by the appropriate Federal banking agency. The transaction may be consummated immediately upon approval by the appropriate Federal banking agency.

"(8) Whoever willfully violates the provisions of this subsection shall be fined not more than $5,000 or imprisoned not more than one year, or both."

FALSE STATEMENTS OR OVERVALUATION OF SECURITIES FOR PURPOSE OF OBTAINING LOAN FROM INSURED BANK

SEC. 11. Section 1014 of title 18, United States Code, is amended by striking out "or a Federal credit union," and inserting in lieu thereof "a Federal credit union, or a bank the deposits of which are insured by the Federal Deposit Insurance Corporation."

STUDY WITH RESPECT TO REORGANIZATION OF FUNCTIONS EXERCISED BY FEDERAL BANK SUPERVISORY AGENCIES

SEC. 12. The President shall cause an immediate joint study to be undertaken by the Secretary of the Treasury and such other officers of the Government as he shall designate to review existing legislation and administrative practices under which the various departments and agencies of the Government exercise supervisory functions with respect to National and State banking institutions, federally insured savings and loan associations, federally chartered investment companies, and such other federally supervised financial institutions as may be appropriate, with a view to determining whether a reorganization or consolidation of such functions is necessary or desirable for the efficient discharge of such functions in the public interest. Such study shall include, among other relevant matters, a consideration of the desirability of (1) the establishment of a coordinating committee on Federal bank regulations, (2) providing a central clearinghouse for all Federal banking reports, and (3) the consolidation in the Treasury Department of all functions with respect to the examination of banking institutions under Federal supervision, and the furnishing by such Department of the results of such examinations to other interested agencies of the Government, including any possible criminal activities to the Federal Bureau of Investigation. Findings

and recommendations resulting from such study shall be reported to the President and to the Congress at the earliest practicable date.

The PRESIDING OFFICER. The Senator from Arkansas withdraws his amendment.

Mr. McCLELLAN. Mr. President, while I have asked unanimous consent to withdraw the amendment which I submitted, I do want it printed in the RECORD.

The PRESIDING OFFICER. The printing has been ordered, and the withdrawal noted.

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

The PRESIDING OFFICER. I inquire of the manager of the bill, From whose time is the time for the quorum call to be taken?

Mr. PROXMIRE. I ask unanimous consent that the time for the quorum call not be charged to either side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. 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. MORSE. Mr. President, I should like to have the attention of the floor manager of the bill for a few minutes.

The PRESIDING OFFICER. Does the Senator from Wisconsin yield time to the Senator from Oregon?

Mr. PROXMIRE. Mr. President, I yield to the Senator from Oregon whatever time he may require on the bill.

Mr. MORSE. Mr. President, the reason I should like to have his attention is that I wish to make some legislative history on the bill, for future reference of those particular bodies that might need to determine our legislative intent.

Mr. President, early this year, I received several communications from officers of Oregon State banks, and one from the Oregon Superintendent of Banks, expressing concern and opposition to S. 3158.

The general tenor of these letters was a fear that enactment of the bill would mean the further deterioration and eventual destruction of the State banks, and of our dual banking system.

I am advised by the counsel to the committee that the committee amended S. 3158 in certain ways that bear upon the objections presented to me. So I would like to itemize these objections in a summary form, and then invite the floor manager to make any comment on them he may care to make. It is said:

First. The bill gives discretionary authority to Federal agencies to institute cease-and-desist procedures against State-chartered banks. This would put the Federal authorities in a dominant role over State banks, whereas the Oregon banking division of the Oregon Department of Commerce already has such powers and is the agency which issues charters to State banks. The supervisory responsibility of the State Department of Commerce would be grossly undermined.

Second. The Federal Deposit Insurance Corporation is an insuring agency, and the Federal Reserve Board is responsible for monetary policy. It is unwise to add these regulatory, police powers to their jurisdiction.

Third. The main problem the bill seeks to correct lies with State savings and loan associations. Therefore, the legislation should be confined to them.

Fourth. The authority given the Federal agencies to remove officers of State banks would also diminish the authority of State banking authorities.

Fifth. The general impact of S. 3158 is to seriously curtail the independence of State banks, and to undermine the dual banking system. If it is the desire of Congress to have a single, unified banking system, it would be better to accomplish that by simple legislation to that effect, rather than to nibble away the State authority until it is meaningless.

I say to my friend from Wisconsin that I have told these Oregon bankers and the State superintendent of banks that these problems would be considered in the committee and that I would raise them on the floor of the Senate for such comments as the manager of the bill may wish to make. I want him to know also that I appreciate his cooperation, and I wish to thank the committee counsel for his cooperation also.

Mr. PROXMIRE. Mr. President, I thank the distinguished Senator from Oregon. His statement is a very helpful and useful contribution to understanding this bill, as well as to the legislative history on the bill.

The supervisor of State banks in Wisconsin, Mr. Nuesse, was also deeply concerned; and I understand he is the president of the National Association of Supervisors of State Banks. State supervisors have been concerned. The committee has been working with the supervisors, and we think we have worked out a pretty good compromise.

But first let me say, the power which the Federal Government has over all banking in this country is very clearly spelled out in the Constitution. The Senator from Oregon, as the foremost authority on the Constitution in the Senate, knows that article I, section 8, subparagraph (5) provides that the Federal Congress shall have the money power, the banking power, not the States.

The Federal Government has exercised that money power. That power was the basis for the first and second banks of the United States, and the decision in McCulloch against Maryland. In 1863 and 1864, Congress provided for a national currency, after the issuance of currency by the States had made for a chaotic situation. Again, in 1933 and 1934, the Federal Government stepped in with the Federal Deposit Insurance Corporation, and with Reconstruction Finance Corporation loans to banks, including nonmember State banks. So there is no question that the Federal Government, under the Constitution, not only has this banking authority, but has exercised it.

I would also say, in reply to some of the questions raised by the Senator from Oregon and the supervisor of State banks in Oregon, that both the Federal Deposit Insurance Corporation and the Federal Reserve Board have acted as supervisory agencies, not simply as insuring agencies or, as in the case of the Federal Reserve Board, managers of the money supply.

Both of these agencies have been engaged in examinations for many years and they have both been required by various Federal laws to exercise supervision over all banks including nonmember State banks. The Federal Reserve Board has engaged in bank examinations for 50 years. The FDIC has been engaged in bank examinations for some 35 years.

Consider the variety of supervisory authority given to the FRB and the FDIC. The Clayton Act, the Bank Holding Company Act, the Bank Merger Act, and many other laws give the Federal Reserve Board or the FDIC authority over State nonmember banks or over State banks, even though they are not members of the Federal Reserve System.

So we already have a precedent in legislation for this kind of authority on the part of the Federal Reserve Board and the FDIC.

In our attempt to meet the objections of the State supervisory agencies—and we do believe strongly in a dual banking system—there is some feeling on the part of some members of the committee that the weaknesses have come from inadequate supervision in some of the States. I think this is not true in Oregon or Wisconsin.

This bill provides safeguards. We provide that, before the Federal regulatory agencies can act with regard to State banks, that notice shall be given to State banks and supervisors. After that notice is given, they have the opportunity to discuss the situation with the Federal authorities, and perhaps to dissuade the Federal authorities from action.

Second, they have the opportunity to act themselves. They may or may not have power to act to remove officers or to engage in cease and desist orders. That would be at the State level.

Third. They may be able to secure voluntary compliance from the State bank without further Government action.

We think that this amendment does provide for a situation in which the Federal Government can discharge its responsibility. It is a very real responsibility under the Federal insurance laws and under other Federal laws. It will also safeguard the dual banking system.

The Senator from Virginia, the chairman of the committee, made an excellent statement earlier in which he emphasized his deep conviction that this would meet the problem.

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

Mr. PROXMIRE. I yield.

Mr. MORSE. Mr. President, I ask unanimous consent to have printed at this point in the RECORD the part of the

bill beginning on page 110, line 11, down through line 3 on page 111.

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

(o) NOTICE TO STATE AUTHORITIES.—In connection with any proceeding under subsection (e), (f)(1), or (g) of this section involving an insured State-chartered institution or any director or officer or other person participating in the conduct of its affairs, the Corporation shall provide the appropriate State supervisory authority with notice of the Corporation's intent to institute such a proceeding and the grounds therefor. Unless within such time as the Corporation deems appropriate in the light of the circumstances of the case (which time must be specified in the notice prescribed in the preceding sentence) satisfactory corrective action is effectuated by action of the State supervisory authority, the Corporation may proceed as provided in this section: *Provided, however,* That no institution or other party who is the subject of any notice or order issued by the Corporation under this section shall have standing to raise the requirements of this subsection as ground for attacking the validity of any such notice or order.

Mr. MORSE. Mr. President, I wanted that to appear in the RECORD so that when my own State banking authorities read this they will be under due notice that the committee has given consideration to one of the most serious complaints and has amended the bill to give them an opportunity to act first on complaints that may arise.

Mr. PROXMIRE. Mr. President, I thank the Senator from Oregon. It seems to me that this should make legislative history that will not only help the State banking supervisors but will also be useful to preserve what we think has been a practicable and workable dual banking system.

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

Mr. PROXMIRE. I yield.

Mr. MORSE. Mr. President, I also ask unanimous consent to have printed at this point in the RECORD a paragraph from the committee report that the counsel for the committee has called to my attention. I think it shows very clearly the intent of the manager of the bill and of the committee as a whole.

The paragraph, appearing on page 7 of the committee report, reads as follows:

The duties and powers of the Federal Reserve Board and the FDIC are broad and sweeping. They must be in order to carry out their functions. But neither they nor the State member and insured banks nor the State bank supervisors should ever forget for one moment that the State banks are chartered by the States, and are operated under State laws, and are responsible first and foremost to the officials of the States which created them.

This is a statement made by the chairman in his remarks before the National Association of Supervisors of State Banks at Williamsburg, Va.

The report then goes on to say:

Accordingly, the committee endorsed the proposal that in any case involving a State bank or a State savings and loan association (except for the virtually routine suspensions and removals based on charges or convictions for a felony involving dishonesty or breach of trust), the appropriate State supervisory authority must be notified and must be given an opportunity, during a reasonable time under the circumstances, to take effective corrective action—or to convince the Federal agency it is mistaken if the State supervisory authority thinks this is the case.

I thank the Senator from Wisconsin very much. I think the legislative history that he has made will not only moderate but, I think, will also dispel much of the doubt that the people in my State who raised these inquiries had in the first place.

Mr. PROXMIRE. I thank the Senator from Oregon.

Mr. President, I read one further sentence from that section of the committee report:

The committee considers that the bill emphasizes the role of the State chartering and supervising authorities, and in no way lessens the status of these State authorities.

That was certainly our intention. We feel strongly that this legislation does that.

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

Mr. PROXMIRE. I yield.

Mr. TALMADGE. Mr. President, is it the view of the Senator that every State banking authority in the United States would still have control over State-chartered banks?

Mr. PROXMIRE. Yes. However, I would say that the bill does provide that if the State authorities fail to act—with respect to State-chartered banks, because they do have Federal insurance and there is other Federal responsibility—the Federal regulatory agency would have the authority and power to move in.

Mr. TALMADGE. What are the contingencies under which the Federal authorities may consider that the State authorities have failed to act?

Mr. PROXMIRE. In the first place, the amendment so provides, the exception just stated by the Senator from Oregon. That exception reads:

Except for the virtually routine suspensions and removals based on charges or convictions for a felony involving dishonesty or breach of trust . . .

In this case or this exception the Federal agency can take immediate precipitate action.

As the Senator from Georgia would recognize, that would be a rare case.

In all other cases, it would be necessary for the Federal regulatory agency to serve notice and to give the State supervisor a reasonable time to act. "Reasonable" is not defined, but it is clear that the State regulatory authorities should be permitted to act themselves, if they wish to do so, and to discuss the situation with the Federal authorities or to correct the situation by themselves by taking corrective action with the State banks.

Mr. TALMADGE. Then the Federal authorities can act only if the State authorities fail and refuse to do so.

Mr. PROXMIRE. This is true for State banks with the exception to which I referred.

Mr. TALMADGE. No time limit is specified in the bill.

Mr. PROXMIRE. A reasonable time is provided in the bill. Page 110, line 18, reads:

Unless within such time as the corporation deems appropriate in the light of the circumstances of the case (which time must be specified in the notice prescribed in the preceding section) satisfactory corrective action is effectuated by action of the State supervising authority . . .

Mr. TALMADGE. The time limit would be specified in the notice that the Federal agency gives to the State authority.

Mr. PROXMIRE. The Senator is correct.

Mr. TALMADGE. And the State authorities would have an opportunity to act and preserve and keep their jurisdiction under the circumstances.

Mr. PROXMIRE. The Senator is correct.

Mr. COOPER. Mr. President, when the Senate Banking and Currency Committee scheduled hearings in April of this year on this bill, I received correspondence from State as well as federally chartered banks calling my attention to several provisions of the bill as introduced.

Because the bill proposed substantial changes in our dual banking system, I wrote the Kentucky Bankers Association and requested their comments on this bill. A statement from Mr. Ralph Fontaine, executive vice president of the Kentucky Bankers Association, was forwarded to me on April 28, and I received a further statement on June 2 from Mr. Fontaine. These statements appear in the record of testimony on pages 402 and 584.

The overall objective of the bill is to provide the three banking supervisory agencies—the Comptroller of the Currency with respect to national banks, the Federal Reserve Board with respect to State member banks, the Federal Deposit Insurance Corporation with respect to State nonmember banks, and the Federal Home Loan Board, charged with regulating Federal savings and loan associations—with powers to take action without delay when serious abuses and conditions develop in individual banks and savings and loan associations, without resorting to the more drastic powers authorized under existing legislation.

The existing law empowers the Federal Deposit Insurance Corporation to suspend a bank's insurance, which would have the effect of closing the bank, and it empowers the Home Loan Bank Board to take over savings and loan associations as receiver and to manage them. These are, indeed, remedies which are to be applied only under the most unusual circumstances and emergency conditions.

The bill before us today would grant to these Federal agencies certain intermediate powers to suspend or remove officers and directors of these financial institutions and to issue cease-and-desist orders against certain specified activities and practices.

The bill as originally introduced provided that a director or an officer of the bank or savings and loan association

could be suspended or removed if he "has committed any violation of law, rule, or regulation, or of a cease and desist order which has become final, or has engaged or participated in any unsafe or unsound practice in connection with the bank/association, or has committed or engaged in any act, omission, or practice which constitutes a breach of his fiduciary duty as such director or officer, and the agency/Board determines that the bank/association has suffered or will probably suffer substantial financial loss or other damage or that the interests of its depositors/savings account holders could be seriously prejudiced by reason of such violation or practice or breach of fiduciary duty."

I agree with the conclusion reached by the committee on page 8 of its report, that many of these terms are either not clear or are open to varying interpretations, and that "the power to suspend or remove an officer or director of a bank or a savings and loan association is an extraordinary power which can do great harm to the individual affected and to his institution, and to the financial system as a whole. It must be strictly limited and carefully guarded."

The amendments that the committee has adopted place certain limitations and safeguards on the exercise of the suspension and removal power.

Before action to remove an officer or director can be taken the Federal agency would have to make a finding first, that the director or officer had violated a law, regulation, or a final cease-and-desist order, or was engaged in a breach of his fiduciary duties: second, that this violation has caused or probably would cause a substantial financial loss or damage to the bank, savings and loan association or to their depositors; and, third, that such violation or practice involved personal dishonesty on the part of the officer or director.

All three conditions must be met before the particular Federal agency could issue an order for a suspension and removal.

An additional safeguard against harm to individuals and institutions is provided by another committee amendment. This amendment would require that the hearing in the case be private, unless both the agency and the individual agree that the hearings should be public. The bill as originally introduced left this decision solely to the discretion of the Federal agency.

The bill would authorize each of the Federal agencies to issue temporary and permanent cease and desist orders to banks or savings and loan associations where they are violating or have violated a law, rule or regulation or charter or other written condition or agreement or have engaged or are engaging in an unsound practice. The bill does, however, give full attention to the role and responsibility of State supervisory authorities.

I remember that one of the chief concerns of the Kentucky Bankers Association about the original bill was that it tended to downgrade State supervisory authorities. In Kentucky, primary supervision over State banks is given to the department of banking, which has established high standards for our State banks and has achieved a record of accomplishment.

I would note that the committee amendment requires:

> In any case involving a State bank or a State savings and loan association (except for the virtually routine suspensions and removals based on charges or convictions for a felony involving dishonesty or breach of trust), the appropriate State supervisory authority must be notified and must be given an opportunity during a reasonable time under the circumstances, to take effective corrective action—or to convince the Federal agency it is mistaken if the State supervisory authority thinks this is the case.

I want to note also that the committee further emphasizes the importance of consultation by the Federal agencies with State banking authorities by stating:

> In addition to the protection against arbitrary and oppressive action which this provides for the benefit of the institutions and individuals affected, this provision constitutes a significant recognition in Federal statutes of the importance of the powers and responsibilities of the State supervisory authorities in our dual financial systems.
>
> The committee considers that the bill emphasizes the role of the State chartering and supervisory authorities, and in no way lessens the status of these State authorities.

I listened with interest to the colloquy between the distinguished manager of the bill, Mr. PROXMIRE, and the distinguished Senator from Georgia [Mr. TALMADGE] and the distinguished Senator from Oregon [Mr. MORSE], and I am pleased to note his response to their questions that the responsibility of our State banking authorities will be recognized and preserved.

The distinguished ranking minority member of the committee [Mr. BENNETT] also raised certain detailed questions concerning the procedure to be followed under the terms of the bill such as "when Federal authorities are dealing with State-chartered institutions and they cannot obtain the concurrence of the appropriate State supervisory authority in the action they propose, they may take action only after a finding has been served upon the State supervisor, setting forth the facts supporting the contemplated action to be taken, together with a statement that compliance is essential for the protection of the insured institution and that the State supervisory authority does not concur in the proposed action to be taken." I am happy to note that the manager of the bill has stated that the Federal Deposit Insurance Corp. and the Federal Home Loan Bank Board will follow these procedures.

With the committee's amendments and the assurances of the manager of the bill, I believe that the bill achieves a balance, on the one hand, of protecting the interests of savers and depositors and trust beneficiaries by having these additional powers available to the Federal authorities. At the same time, the committee's amendments safeguard officers and directors and their banks from arbitrary and capricious interference by the Federal banking authorities.

I shall vote for the bill.

Mr. PROXMIRE. Mr. President, I suggest the absence of a quorum, and ask unanimous consent that the time not be charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. MONTOYA in the chair). Without objection, it is so ordered.

Mr. TOWER. Mr. President——

The PRESIDING OFFICER. How much time does the Senator yield to himself?

Mr. TOWER. I yield as much time as necessary.

Mr. President, the bill we are presently considering would grant authority to issue cease-and-desist or suspension or removal orders to certain Government agency officials in order to prevent violations of law or regulation by officers of financial institutions. The power to grant these orders—which are intermediate powers falling short of conservatorship or withdrawal of insurance—would be conferred upon the Comptroller of the Currency, the Board of Governors of the Federal Reserve Bank, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board.

The Financial Institutions Supervisory Act of 1966 was introduced because present statute has proved inadequate. In some cases, available legal remedies have been too severe to fit the situation. Taking custody of an institution or terminating its insured status are obviously overly radical actions to apply to many cases of breaches of legal conduct; at the same time, these or other remedies are too time consuming to fit a situation in which alacrity is needed.

The private financial institutions of this country are admirably run. Their executives are among the leaders of the business world, and they are honest. It is for the very rare exception—the criminal masquerading as a businessman—that the present legislation is recommended.

Several of my colleagues on the Banking and Currency Committee who are on the minority side and had certain reservations about this legislation during the hearings.

Testimony was received which indicated broad division of opinion over the causes and procedures for removing officers and employees of financial institutions. Since that time, Mr. President, several of those interests whose views were being considered have reached basic agreement on this bill.

As a matter of fact, some interests who were opposing this bill as late as last week are apparently now prepared to accept it.

So that in that they have reached basic agreement on the bill, it is now thought that the legislation is acceptable and represents a responsible attempt to authorize a more effective approach to the problem of Federal supervision of financial institutions.

Therefore, Mr. President, I recommend the enactment of this bill. I do not intend to call up my amendment or to ask for a vote on it. I am prepared to yield back the remainder of my time on the bill, so that the bill may go to third reading.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The PRESIDING OFFICER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

Mr. PROXMIRE. Mr. President, first I wish to thank the distinguished Senator from Texas, who has played a very helpful and significant role in connection with this bill, as he always does in our banking legislation.

I also wish to compliment the Senator from Virginia [Mr. ROBERTSON], the distinguished manager of the bill. The Senator from Texas has generously pointed out that this bill embodies the views of Government agencies and of the interests which would be regulated; and I believe that the fact that the Federal agencies and the Nation's bankers and officers of savings and loan officials were able to get together on the bill is owing very largely to the leadership and the patience and perseverance of Senator ROBERTSON, who is chairman of the Financial Institutions Subcommittee that considered this bill as well as of the full committee.

Mr. President, I ask unanimous consent that a letter from the distinguished senior Senator from Illinois [Mr. DOUGLAS] be printed in the RECORD, pointing out his support of the bill.

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

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
August 19, 1966.

Hon. WILLIAM PROXMIRE,
U.S. Senate,
Washington, D.C.

DEAR BILL: I strongly support S. 3158, as reported by the Committee on Banking and Currency. I believe this legislation is urgently needed, and I am, therefore, very pleased that you are managing it.

As you know, during the hearings on the original bill sent up by the interested agencies, I expressed my strong concern with respect to the suspension and removal authority. I implied that I could not support this legislation unless it contained adequate protection of the individual officers of banks, savings and loan associations, and other financial institutions against arbitrary removal from office by individual Federal administrators. My statements on this may well have had something to do with the very thorough analysis which the Committee gave to the bill and the subsequent modifications which the Committee adopted.

I want you to know that, in my opinion, S. 3158, as revised and now reported by the Committee, satisfies the objections I raised in the hearings. In every case involved under this legislation, suspension and removal must be ordered by a board, not a single administrator. Moreover, suspension and removal has been severely limited only to cases of unsafe and unsound practices involving personal dishonesty. In addition, the officer may apply to a U.S. district court for a stay, or appeal from a final order to the appropriate U.S. court of appeals.

I believe the authority on suspension and removal protects the rights of a man to be believed innocent until he is proven guilty, but still protects the rights of depositors and the public.

With best wishes,
Faithfully yours,
PAUL H. DOUGLAS.

Mr. PROXMIRE. Mr. President, I should also like to add that the original cosponsor of the bill with Senator ROBERTSON was the senior Senator from Utah [Mr. BENNETT]. Mr. BENNETT'S strong support of the bill and his emphasis on pressing to give the regulatory agencies the kind of authority they need, it seems to me, had a great deal to do with the fact that we were able to get action on the bill which seems to be reasonably satisfactory to most of those concerned. In my judgment, it represents legislation at its best, because it is compromise legislation that nevertheless does the job. It also takes into account the rights of those who would be regulated.

Mr. President, the Washington Star carried an article yesterday—Sunday—by Lyle Denniston, which accurately depicted the urgent need for this legislation. I earnestly hope the House will be able to act promptly on this bill. It is late in the session; and if the Nation's depositors are to have the kind of protection they need, the passage of this legislation this year is essential. I ask unanimous consent that the article from yesterday's Star be printed in the RECORD at this point.

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

BILL IS SUPPORTED TO REGULATE SHAKY THRIFT FIRMS

(By Lyle Denniston, Star business writer)

Government credit regulators, already made edgy by the tightening money squeeze, are quietly fretting about another problem on their hands.

Their less publicized anxiety involves banks and savings and loan associations that are in deep financial trouble, or are on their way toward that, because of mismanagement or dishonesty.

To deal with the trouble, federal supervisors of thrift institutions are trying to get a new assignment of authority from Congress. But the time for getting Congress to act is growing short.

Even so, the regulators can't make an all-out public effort to push Congress into acting, for fear that they might do the very thing they want to prevent—that is, cause the public to worry about the safety of money in savings accounts.

Indeed, publicity already given to the pending legislation has caused some executives of thrift institutions to worry that the public's confidence was being shaken.

If the saving public is made even slightly panicky, funds might be drawn out of accounts in banks and savings and loan firms—thus adding to the regulators' other big source of current woe, tight money.

It is a matter of real urgency, federal regulators insisted last week, that they get new legal tools to deal with financially unsound practices in banks and savings institutions.

Only a small segment of the thrift industry is affected by such practices, regulators concede. Still, the institutions involved hold $3 billion or more in savings. Those have been put in jeopardy because "fast-buck" operators, and in some cases criminal elements, have taken over a number of institutions.

The situation is no better now than it was last spring, when Congress first began considering the proposed legislation, regulators reported. Even though some problem cases of last April have been cleared up, there have been new ones to take their places, one agency indicated.

"It has just been hell lately," a top regulator said bluntly. He added that "things down the road" did not look good, either, suggesting that more problem cases were sure to come up.

Basically, that one regulator's problem is the same one that faces all federal financial supervisors—their current power is too limited in scope to permit them to act effectively against problem institutions.

On the one hand, all four of the government's major financial regulatory bodies have power to put banks or savings and loans out of business altogether, or at least to deprive them of any federal insurance for their accounts.

Those "remedies" are so drastic that they can be used only sparingly, federal aides insist.

On the other hand, the regulatory agencies have minimum powers of correction that are either ineffective no matter when used, or are so cumbersome to use that they are of doubtful value.

The existence of authority only at these two extremes led the regulators, backed by President Johnson, to ask Congress for "intermediate powers"—something between doing too little and going too far.

Under the pending bill, "in between" authority would be given to the three bank regulatory agencies—the Federal Reserve Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corp.—and to the one savings-and-loan regulator—the Federal Home Loan Bank Board.

The agencies could issue "cease-and-desist" orders, forcing troubled institutions to stop particular "unsafe and unsound" practices. If that were not enough, they could act to suspend or remove individual officers of the firm, if the officers had engaged in acts of "personal dishonesty" that exposed the firm to "substantial financial loss."

A bill in that form comes up for final Senate action tomorrow. Regulators had feared earlier that the Senate Banking Committee might knock out the section that authorized removal of officers. But that provision stayed in the bill after being rewritten to limit its use by the regulators.

Federal officials had insisted that they would make "relatively rare" use of the power to kick out officers. The Senate changes "will make that relatively more rare," one aide commented.

One Senate staff man suggested that the officer-removal section "has been cut down so much it may not be very effective." But the regulators said they would rather have that than nothing at all.

The "cease-and-desist" orders will be used rather frequently, regulators hinted, in order to keep problem cases from developing or getting worse. Still, those orders will be "pinpointed" to specific practices, and thus won't go as far as removal of an officer would go in "reforming" a troubled institution.

Although prompt passage by the Senate seemed certain to regulators, they still were far from sure that the bill would get all the way through Congress this year. If it doesn't, 18 months to two years may pass before it could come close to passing again, regulators believe.

Doubts about quick passage by the House have been reinforced by staff aides there.

Although the bill faces little outright opposition, the House Banking Committee probably will not get to the legislation immediately, it was suggested.

Higher priority has been assigned in that panel to a bill that would help with the tight money situation, by limiting banks' freedom to pay higher interest rates in order to draw funds away from savings and loan associations.

Thus, one staff assistant said, it may be mid-September before the House committee gets to the new supervisory controls measure. Congress hopes to adjourn by Oct. 1 or, at the latest, Oct. 15.

LET'S BE CERTAIN OUR SAVINGS ARE PROTECTED

Mr. CHURCH. Mr. President, it is with a deep sense of urgency, heightened by a recent unhappy event in my own State of Idaho, that I now rise in support of S. 3158, to strengthen the regulatory and supervisory authority of Federal agencies over insured banks and insured savings and loan associations.

Three and a half decades after the financial disaster that plunged this Nation into the worst depression in its history, the memory of those hungry days is occasionally revived by reoccurring bank failures.

It was out of the desperation of the great depression, which closed the doors of so many banks, that Federal safeguards, including Federal depositor insurance, were born. And it is legislation to strengthen and extend these safeguards that we consider today.

While time is credited with healing many wounds, it also has the effect of erasing bitter memories. Unfortunately, people tend to forget the misery created by the bank failures of a generation ago. They need to be reminded that Federal depositor insurance, which exists to protect them against such losses, is available to banks and savings and loan institutions which comply with the sound financial and managerial standards established by the Federal Government.

Such has been the tragic case in Idaho, where 20,000 depositors have seen their savings threatened by the collapse of a State-chartered savings and loan institution, which has no Federal insurance protection.

There is nothing, Mr. President, that we in the Senate can do to alleviate the financial distress of these fine people, many of whom had their life savings on deposit in this company. Efforts are now being made at a State and local level to salvage some part of the loss.

But we can do everything possible to strengthen existing Federal coverage of the banking and savings institutions that do qualify for Federal depositor insurance. By so doing, we will again focus the attention of thrifty Americans on the advisability of protecting their savings by doing business with banking establishments that qualify under the Federal insurance program.

I am happy to support S. 3158, Mr. President, and I commend my distinguished colleague, the senior Senator from Wisconsin, for the able floor management he has given to this important legislation.

Mr. TOWER. Mr. President, I wish to thank the distinguished Senator from Wisconsin [Mr. PROXMIRE], who has worked diligently on this measure. I appreciate his acknowledgement of the work of the Senator from Utah [Mr. BENNETT], who, as Senators know, is hospitalized and is unable to be here today. I know of his deep interest in the bill, and I know that he had a major hand in its formulation.

I appreciate the kind remarks of the Senator from Wisconsin [Mr. PROXMIRE].

I yield back the remainder of my time.

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

The PRESIDING OFFICER. All time having been yielded back, and the bill having been read the third time, the question is, Shall it pass?

So the bill (S. 3158) was passed.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 602) to amend the Small Reclamation Projects Act of 1956.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 15941) making appropriations for the Department of Defense for the fiscal year ending June 30, 1967, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. MAHON, Mr. SIKES, Mr. WHITTEN, Mr. GEORGE W. ANDREWS, Mr. FLOOD, Mr. LIPSCOMB, Mr. LAIRD, Mr. MINSHALL, and Mr. BOW were appointed managers on the part of the House at the conference.

AMENDMENT OF THE CIVIL SERVICE RETIREMENT ACT TO INCLUDE CERTAIN PERIODS OF REEMPLOYMENT OF ANNUITANTS FOR THE PURPOSE OF COMPUTING ANNUITIES OF THEIR SURVIVING SPOUSES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1446 (S. 699).

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 699) to amend the Civil Service Retirement Act so as to provide for inclusion of certain periods of reemployment of annuitants for the purpose of computing annuities of their surviving spouses.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service with an amendment to strike out all after the enacting clause and insert:

That section 13(b) of the Civil Service Retirement Act, as amended, is amended by striking out the third sentence and inserting in lieu thereof the following: "In the case of any annuitant who upon termination of employment is married to a wife or husband potentially entitled to annuity as surviving spouse by virtue of the annuitant's retirement, the benefit described in the proviso shall be reduced by 10 per centum and such wife or husband shall be paid an annuity equal to 55 per centum of such benefit commencing and terminating at the same times as the survivor annuity payable by virtue of the annuitant's retirement, unless at time of claiming the benefit under the proviso the annuitant notifies the Commission in writing that he or she does not desire the wife or husband to receive such annuity."

SEC. 2. The amendments made by this Act shall apply only with respect to reemployed annuitants whose periods of reemployment expire on or after the date of enactment of this Act.

SEC. 3. The provisions under the heading "Civil Service Retirement and Disability Fund" in title I of the Independent Offices Appropriation Act, 1959 (72 Stat. 1064; Public Law 85-844), shall not apply with respect to benefits resulting from the enactment of this Act.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1481), explaining the purposes of the bill.

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

The Committee on Post Office and Civil Service, to which was referred the bill (S. 699) to amend the Civil Service Retirement Act so as to provide for inclusion of certain periods of reemployment of annuitants for the purpose of computing annuities of their surviving spouses, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

AMENDMENT

The committee has struck out all language after the enacting clause and inserted a new text. The purpose of the amendment is to provide for a survivor annuity based on a retiree's supplemental annuity earned by reemployment service.

Under present law, if a retired employee is reemployed under conditions which do not terminate his title to annuity, his salary is reduced by the amount of his annuity, he is considered subject to the Civil Service Retirement Act during the period of reemployment, but he does not have deductions withheld from his salary for retirement purposes. If his reemployment service amounts to at least 1 year, he is eligible upon final separation to a supplemental annuity based on the salary and service during the period of reemployment. If his reemployment service amounts to 5 years, he may elect to make a deposit to the retire-

ment fund for the period of service and receive a completely new computation of retirement benefits for all of his service, based on the law in effect at the time of his final separation. In effect his first retirement is ignored.

The supplemental annuity is a single life annuity and does not increase any annuity benefit payable to the annuitant's spouse based on the regular annuity.

As referred, S. 699 would have (1) permitted a reemployed annuitant who had elected a survivor annuity at the time of his retirement to make a deposit to the retirement fund equal to the amount which ordinarily would have been withheld from his reemployment salary; (2) combined the regular annuity and the supplemental annuity for the purposes of computing the reduction in annuity and the survivor annuity; and (3) reduced from 5 to 2 years the period of reemployment necessary for a new computation.

The committee recognizes the value of service rendered by reemployed annuitants. In many cases, they are employees whose agency requests their continued service after reaching optional or mandatory retirement age. The supplemental annuity was created by Congress to reward such employees for their service after retirement. Service for a brief period, however, should not entitle a reemployed annuitant to a completely new determination of his rights under the act unless the length of service indicates more than temporary or intermittent reemployment. The committee believes that the 5-year requirement for a redetermination of annuity rights should remain in the law.

To provide a survivor annuity based on the supplemental annuity is inherently fair; however, and S. 699 has been amended to accomplish this objective.

As amended, the bill will permit the reemployed annuitant to elect a survivor annuity based on the supplemental annuity if he originally elected a survivor annuity and if his supplemental annuity is reduced by 10 percent to pay the costs of the survivor annuity. The 10-percent reduction is based on the regular reduction in annuity for any amount exceeding $3,600.

Section 2 provides that the amendments made by this bill shall have no effect upon the annuity rights of any reemployed annuitant whose reemployment service was terminated prior to the date of enactment of this legislation.

Section 3 provides that the costs resulting from the enactment of this legislation shall be paid out of the civil service retirement and disability fund. It is not possible to estimate accurately the cost of this bill. The very small number of reemployed annuitants in the Federal service indicates that the cost will be miniscule in comparison to the total cost of the retirement program.

A WASTED STOCKPILE AND A NATIONAL OPPORTUNITY

Mr. METCALF. Mr. President, throughout my years in the Congress, I have been deeply impressed by the ways in which Government surplus property has been used by schools and hospitals in all parts of our Nation. The donable surplus property program, which distributes surplus personal and real property to public health, education, and civil defense institutions, has done an outstanding job. From 1946 to June 1963, for example, this program made $4.4 billion worth of property available to deserving institutions.

In the last session of this Congress, I introduced legislation which would broaden the donable property program by including within it surplus raw materials in the national stockpile. I have been extremely encouraged by the response of doctors and educators, who have assured me that such a step would be a great boost to research in less wealthy schools, universities, and hospitals.

Today, I would like to direct the attention of the Senate to a wasted Government stockpile which, if put to use, could be relieving suffering and saving lives. I refer to the medical supplies which are kept by the Public Health Service as part of our civil defense stockpile. These vital supplies include medicines, bandages, and hospital equipment.

Health organizations could put the civil defense packages to immediate use, but they never get the chance. This is because the Public Health Service cannot allow the removal of these items until their storage life has expired and they must be destroyed. Last year, this restriction caused $19 million of medical supplies to be wasted. Rather than being used just before their time of value had disappeared, the supplies were allowed to waste on the shelves.

In order to remedy the situation, Senator PROXMIRE, Senator DOUGLAS and myself have introduced legislation (S. 3328) to remove this unfortunate restriction. We propose that the medical supplies be taken out of storage before their life expires and be used by Government agencies, sold as surplus, or donated to public and private nonprofit health organizations.

Mr. President, in the New York Times of June 12, 1966, Dr. Howard A. Rusk wrote an excellent analysis of the medical stockpile problem and suggested a number of valuable uses for the stockpiled material. The article is entitled "A Wasted Stockpile." I ask unanimous consent that the article be printed in the RECORD at this point.

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

[From the New York Times]

A WASTED STOCKPILE: DRUG SUPPLIES IN CIVIL DEFENSE DEPOTS ARE DETERIORATING WITHOUT BEING USED

(By Howard A. Rusk, M.D.)

Last year the United States Public Health Service destroyed $19-million worth of medical supplies—supplies that could have relieved human suffering and misery had they been used before their useful life expired on some storage shelf.

These needed supplies are stored in more than 2,000 locations around the nation as part of our civil defense stockpile. Most of them are part of the so-called "packaged disaster hospitals." These packages contain supplies, equipment and tents that could be turned into 200-bed hospitals. They are not available for current use but are kept in readiness in case of disaster.

In these packaged hospitals and in other types of storage are medicines, including antibiotics; rubber gloves; adhesive tape; bandages, and medical equipment of all kinds—in short everything that is needed in a hospital of that size on an emergency basis. It is all slowly deteriorating.

The problem is that these supplies were bought and stored as a precaution against some future disaster. There is no way in which the Public Health Service can allow their removal until their storage life has expired and they must be destroyed.

LEGISLATION IS OFFERED

Three Democratic Senators—WILLIAM PROXMIRE of Wisconsin, PAUL H. DOUGLAS of Illinois and LEE METCALF of Montana—have proposed legislation to remove this restriction. They propose that these vitally needed materials be taken out of storage before their life expires and be used by other agencies, sold as surplus, or donated to public and private nonprofit health organizations.

As of last June 30, the value of our civilian defense stockpile was reported to be about $201-million. In addition, the Public Health Service had its own medical supply system for its hospitals and clinics valued at that date at $686,000. The Defense Department had an inventory of $164.6-million, and the Veterans Administration an inventory of about $10.3 million.

Studies by the Controller General have shown that the rotation of stocks among the various medical programs of the Federal Government can reduce some stockpile losses because of deterioration.

DRUGS ARE DISTRIBUTED

Mr. PROXMIRE reports that an interagency committee is now working on this rotation, and that in the last six months about $4-million worth of supplies have been distributed among various Government agencies.

This is commendable but it still does not solve the problem that we are, with one hand, destroying drugs and medical supplies while, with the other hand, we are trying to aid persons who have no funds to buy such drugs and medical supplies.

Antibiotics, for example, have a stated storage life of five years. It is the policy of the Public Health Service to retain "outdated" antibiotics in the civil defense medical depots as long as periodic tests by the Food and Drug Administration indicate no significant loss of potency or evidence of deterioration.

However, in May of 1965 the Public Health Service destroyed six types of medical items stored in depots that had deteriorated and were unfit for human use. The value of these items was nearly $4-million.

OVERSEAS PROGRAMS IN NEED

Probably the greatest utilization of such supplies could be made in our overseas medical programs, operated by voluntary agencies in conjunction with the Agency for International Development.

The pharmaceutical manufacturers of the United States have long followed the policy of anticipating expiration dates of drugs sufficiently in advance to contribute them to voluntary agencies for utilization before deterioration.

Drug manufacturers also frequently donate perfectly good drugs because of changes they have made in packaging. Still others make it a practice to offer certain voluntary agencies with overseas medical aid programs the complete choice of all items in their catalogues up to a certain dollar maximum.

Recently the American-Korean Foundation received an urgent request for poliomyelitis vaccine from the Minister of Health in South Korea. There has already been sufficient vaccination against polio there, so that with an all-out campaign of immunization polio can be eliminated.

Much of the vaccine used to date has been contributed by American companies such as Pitman-Moore of Indianapolis, which has contributed drugs valued at more than $500,000 to the American-Korean Foundation in the last three years. But, as is so

frequently the case in developing countries, only limited funds were available for the purchase of vaccine.

The American-Korean Foundation immediately made contact with Mr. Eugene N. Beesley, president of Eli Lilly and Company of Indianapolis, one of the large manufacturers of polio vaccine, and told of its need. Within three days it had a reply. The company said it would provide 2 million cubic centimeters of vaccine, enough to inoculate from 700,000 to 900,000 children. The company said it did not have this amount of vaccine on hand but would manufacture it especially for this project.

TWENTY-THREE-MILLION WORTH GIVEN

There are many similar stories that can be told of the generosity of all the other great American pharmaceutical manufacturers. The Pharmaceutical Manufacturers Association reports that the United States prescription drug industry contributed to voluntary agencies products valued at $23,481,000 in 1963.

The American overseas voluntary agencies that are receiving these contributions is long and varied—Medico, the S.S. Hope, the International Rescue Committee, the American Bureau of Medical Aid to China, and many, many more. Most dramatic of these efforts was the magnificent role of the drug industry in the ransom of the Bay of Pigs prisoners from Cuba.

In these days when the pharmaceutical manufacturers are under criticism, this is one part of their story that should be told more frequently.

In introducing his proposed legislation, Mr. PROXMIRE said:

"In this day and time, when we are making so great an effort to improve the medical care our people receive, it seems criminal to me that $19-million worth of medical equipment and supplies have had to be destroyed in the last year when they should have been used to heal the sick."

This writer believes that Congress and the American people share the Senator's view.

POST OFFICE DEPARTMENT—30-YEAR LEASE AUTHORITY

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1364 (H.R. 14548).

The PRESIDING OFFICER. The bill will be read by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 14548) to extend the authority of the Postmaster General to enter into leases of real property for periods not exceeding 30 years, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Public Works with an amendment to strike out all after the enacting clause and insert:

That (a) the portion of section 2103(a), title 39, United States Code, which precedes paragraph (2) thereof is amended to read as follows:

"(a) Whenever the Postmaster General determines, after consultation with the Administrator of General Services, that the needs of the Post Office Department cannot be met by the leasing of a multitenant building by the Administrator, the Postmaster General, in addition to the authority conferred upon him by section 2102 of this title, may—

"(1) negotiate and enter into lease agreements which do not bind the Government for periods exceeding thirty years, on such terms as the Postmaster General deems to be in the best interest of the United States, for the erection by the lessor of special purpose post office buildings on lands sold, leased, or otherwise disposed of by the Postmaster General to or otherwise acquired by, the lessor;".

(b) Section 2103, title 39, United States Code, is amended by adding at the end thereof the following new subsections:

"(d) As used in this section and section 2102 of title 39, United States Code, the term 'special purpose post office building' means a building which has the following characteristics:

"(1) It is situated in a particular geographical location to make it convenient for processing mail;

"(2) It is designed in a particular configuration to make it convenient for processing mail;

"(3) At least 90 per centum of the net interior floor space of the building is devoted to mail processing activities and related vehicle service (but excluding building services) and the remainder of such floor space is devoted to directly related supporting activities such as administrative and accounting offices, maintenance areas, and employees' welfare facilities; and

"(4) It is not readily usable or convertible to use as a general-purpose office building.

"(e) The Postmaster General may not, in any fiscal year, enter into lease agreements under this section (1) for the acquisition of special purpose post office buildings having an aggregate net interior floor space exceeding 6,000,000 square feet, or (2) requiring annual payments by the United States in an aggregate amount exceeding $15,000,000.

"(f) No lease agreement may be entered into under this section or section 2102 of title 39, United States Code, for a special purpose post office building having gross floor space exceeding 10,000 square feet—

"(1) until sixty days after the date of transmittal by the Postmaster General to the Committees on Public Works of the Senate and the House of Representatives of a report which shall include a full and complete statement concerning the need for such agreement and the terms and conditions thereof; or

"(2) after the expiration of five consecutive years following the date of enactment of this subsection."

(c) The text of section 2109, title 39, United States Code, is amended to read as follows:

"Agreements may not be entered into under sections 2104 and 2105 of this title after July 22, 1964."

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DIRKSEN. I ask unanimous consent that the order for the quorum call be rescinded.

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

LEGISLATIVE PROGRAM

Mr. DIRKSEN. Mr. President, I would like to ask the distinguished majority leader about the program for the balance of the day, and the balance of the week if possible.

Mr. MANSFIELD. As always, I am delighted to attempt to answer the inquiry of the distinguished minority leader. In looking over our legislation accomplishments to date and what remains to be done, one distinct reality appears and reappears; namely, that time is not endless. The leadership is confronted with this sad reality almost daily as it evaluates the progress made to date and what remains to be done before a sine die adjournment can be accomplished. The most significant measures that remain are in the appropriations field; these of course must be completed prior to any adjournment. There remain six appropriation bills to be considered; five of these six have not yet passed the House. The one appropriation measure outstanding in the Senate committee is the Labor-HEW appropriation. The hearings on this measure have been completed for several weeks but due to an unfortunate accident to the senior Senator from Alabama [Mr. HILL], the chairman of the Labor-HEW subcommittee and to the press of business in his legislative committee, action has been delayed on this measure. The senior Senator from Alabama [Mr. HILL] is one of the most experienced legislators in this body; he is, with the senior Senator from Georgia [Mr. RUSSELL], one of the original members of the majority policy committee, the principal organ of majority leadership in this body. Thus, he is fully aware and sympathetic to the problem that confronts the leadership.

I know the senior Senator from Alabama [Mr. HILL] will, as he has in the past, make great personal sacrifice, in this case physical hardship, to assist us in getting early floor consideration of the measures pending before his committees. His cooperation and that of the entire Senate will allow an adjournment date by mid-October. I might add that all appropriation bills will be given priority in scheduling on the Senate floor. I hope the Senate floor action can be completed on the Labor-HEW appropriation bill prior to Labor Day. I would also like to see the conferees on the Agriculture and Defense appropriations work out their differences so these reports also can be adopted prior to Labor Day.

With respect to the other remaining appropriation bills, I am hopeful that the House will expedite action thereon and that the Senate committee will report them as soon as possible after proper hearings and consideration.

It is still the leadership's hope that before the Labor Day holiday the Senate will dispose of the Peace Corps authorization, the minimum wage, the Oregon dunes, the food for freedom, and hopefully the elementary and secondary education bills. The latter two bills we certainly hope will be reported from the appropriate committees within the next week.

Then, of course, the Senate has been informed today that on Tuesday next, the UNICEF resolution will be called up and that the distinguished minority leader has served notice that he intends to offer his so-called prayer amendment thereto.

As I announced to the Senate last week, the leadership is hopeful that the Senate can adjourn sine die by the middle of October. The fall elections will make their demands on Congress' time. How-

ever, our work must also be completed or this session, unlike time, will be endless.

Mr. DIRKSEN. I thank the majority leader.

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

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

RESOLUTION BY BIRMINGHAM, ALA., JAYCEES ON VIETNAM

Mr. SPARKMAN. Mr. President, as you know, I strongly support our administration's position concerning the war in in Vietnam. I have advocated bombing the sources of military supply and I have said many times that these bombings would materially strengthen our position in Vietnam and shorten the war there.

I have traveled frequently throughout the length and breadth of the State of Alabama in recent weeks, and I can report that the people of Alabama, almost to man, share these views.

In fact, I would like to take this opportunity to read to my colleagues a resolution by the Birmingham Junior Chamber of Commerce supporting our stand in Vietnam:

RESOLUTION

Whereas, in the past few days it has become apparent that the United States war effort in Viet Nam has increased in intensity by the bombing of oil reserves near Haiphong and Hanoi; and

Whereas, these events have caused bitter attacks upon the President of the United States by major world leaders, and sadly by a very few United States citizens; and

Whereas, the extension of our war effort has shown to the world both the firm commitment of the United States to assure the freedom of people to choose their own destiny and our desire and our complete ability to confront Communist aggression; and

Whereas, the present United States policy of combat aggressiveness is speeding the ultimate victory for freedom in Viet Nam;

Now, therefore, be it resolved by the Birmingham Jaycees:

(1) That this organization goes on record as supporting this decision of the President of the United States, Lyndon B. Johnson;

(2) That this organization urges other organizations and patriotic citizens to endorse and support our country's Viet Nam policy;

(3) That copies of this resolution be sent to President Lyndon B. Johnson, Secretary of State Dean Rusk, Secretary of Defense Robert S. McNamara, Chairman of the Senate Foreign Relations Committee, J. WILLIAM FULBRIGHT, to each member of the Congressional Delegation of Alabama, and to United States Jaycee President, Bill Suttle.

Done on this 19th day of July, 1966.

FRED RENNEKER III,
President, Birmingham Jaycees.
MAXWELL ALSTON,
Vice President, Birmingham Jaycees.
DON L. HAWKINS,
Chairman, Governmental Affairs Committee, Birmingham Jaycees.

Mr. President, I know most of the young men in the Birmingham Junior Chamber of Commerce, and I know them to be responsible, intelligent, and capable community leaders. I am proud, therefore, to have this opportunity to salute them for their spirit of patriotism and dedication to the principles which made our Nation great.

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

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

MESSAGE FROM THE HOUSE— ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills:

H.R. 8760. An act to amend the provisions of Oil Pollution Act, 1961 (33 U.S.C. 1001–1015), to implement the provisions of the International Convention for the Prevention of the Pollution of the Sea by Oil, 1954, as amended, and for other purposes; and

H.R. 15456. An act making appropriations for the legislative branch for the fiscal year ending June 30, 1967, and for other purposes.

ENROLLED BILL SIGNED

The ACTING PRESIDENT pro tempore announced that on today, August 22, 1966, he signed the enrolled bill (H.R. 15456) making appropriations for the legislative branch for the fiscal year ending June 30, 1967, and for other purposes, which had previously been signed by the Speaker of the House of Representatives.

POST OFFICE DEPARTMENT—30-YEAR LEASE AUTHORITY

The Senate resumed the consideration of the bill (H.R. 14548) to extend the authority of the Postmaster General to enter into leases of real property for periods not exceeding 30 years, and for other purposes.

Mr. YOUNG of Ohio. Mr. President, the Senate is considering H.R. 14548 as amended and reported from the Committee on Public Works. The bill is in the nature of a substitute amendment for H.R. 14548 as it was passed by the House of Representatives, striking all after the enacting clause and substituting the committee language. I shall briefly cover the provisions of the bill in comparison to those of the original bill which was proposed by the administration and passed by the House on June 18, 1966. In connection with the committee bill, may I say at the outset that I urge its adoption as presented.

The purpose of this legislation is to continue beyond the current expiration date of December 31, 1966, the authority under 39 United States Code 2103 for the Postmaster General to enter into lease agreements for special-purpose post office buildings for periods up to 30 years and the authority of such section for land acquisition, including condemnation and related land disposition.

The 30-year lease construction program for the Post Office Department was authorized in the Post Office Department Property Act of 1954, and will expire on December 31, 1966. This authority authorizes the Postmaster General to obtain control of a suitable site either by assignable option, purchase, or condemnation; to advertise for competitive bids for the construction of a postal facility in accordance with post office specifications on the designated site; assign the option or sell the site to the successful bidder and lease back the entire facility for a term of years not in excess of 30.

The continuation of this 30-year leasing authority is vital to the Post Office Department's space acquisition needs since it is the most economical method of leasing space where long-term occupancy is projected and gives the Department the flexibility that it needs in meeting its expanding space requirements.

The bill as passed by the House would continue the 30-year leasing authority of the Postmaster General in perpetuity. However, the committee felt that authority of this magnitude should be subject to some congressional checks and reviews. To accomplish this, the committee has amended H.R. 14548 in several respects.

Mr. President, before listing the amendments adopted by the Committee on Public Works, I wish to state that it well may be that there will be differences of opinion on the part of officials of the Post Office Department, the House conferees, and the Senate conferees on this bill. It is my belief, Mr. President, the conferees can work out the differences between the two bodies to the satisfaction of officials of the Post Office Department. I hope so.

The committee has amended H.R. 14548 as follows:

First. To require the Postmaster General to consult with the Administrator of General Services prior to determining that the Post Office Department needs cannot be met in a multitenant building.

Second. To define a special-purpose post office building and restrict the building to one in which at least 90 percent of the net interior floorspace is devoted to mail processing activities and related vehicle service.

Third. To set a maximum aggregate amount of space which can be leased in any 1 year under this long-term lease construction authority of 6 million square feet or a maximum aggregate annual rental of $15 million.

Fourth. To prohibit the Postmaster General from entering into a lease for any special purpose post office building having a gross floor space exceeding 10,000 square feet until 60 days after he transmits a report to the Committees on Public Works of the Senate and the House of Representatives, this report to include a complete statement justifying the need for the facility and giving the proposed terms and conditions of the lease.

Fifth. To extend the 30-year lease construction authority for a period of 5 years following the date of enactment of the legislation.

The members of the Committee on Public Works recognize the need of continuing this authority to enable the Post Office Department to adequately handle those unique situations which indicate it would be to the Governments' advantage to lease post office facilities rather than construct. They further believe that the other authority granted by the act will insure the continued availability to the Postmaster General of the important aspects of his land acquisition and disposal authority, as well as the vital condemnation authority. However, the committee recognized that in the current authority no provision was made for Congressional review of proposed projects and, therefore, has imposed a requirement that a prospectus be submitted to the Senate and House Public Works Committees where it will lie for 60 days for review by the committees. The intent of the prospectus is to insure that adequate planning and consideration has gone into the proposed project. The committee also feels that to be consistent with its policy it must limit the life of the authority to 5 years from the date of enactment so a further review and evaluation of the program can be made at that time. Accordingly, such an amendment was made in the committee, and is in the pending bill.

With these thoughts in mind, the committee feels that the bill as amended provides a better basis of operation and will insure the Government the best possible results.

Therefore, I urge passage of H.R. 14548 as amended.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment in the nature of a substitute.

Mr. WILLIAMS of Delaware. Mr. President, in a moment I shall suggest the absence of a quorum because obviously this bill is far too important to be passed with only two Senators present. There are questions which should be asked, and this program should be examined a little more carefully before we proceed to vote on it.

I am not unmindful of the fact that in the committee report the Comptroller General called the attention of the Senate to the fact that this program is costing substantially more money than it would cost if the Government itself were to construct these buildings in the first instance.

I am not finding fault with the action taken by the committee. I wonder if the committee had at its fingertips all of the information which should have been available at the time that the pending bill was reported.

The reason I raise that question is that when the matter was considered earlier this year I became interested, and under date of July 6, 1966, I wrote the following letter to the Postmaster General:

JULY 6, 1966.

Hon. LAWRENCE F. O'BRIEN,
The Postmaster General,
Post Office Department,
Washington, D.C.

MY DEAR MR. POSTMASTER GENERAL: Will you please furnish me with a complete list of all post office buildings costing over $250,000 which have been constructed during the past 10 years under the lease-purchase arrangements.

With this report I would like to have the location, date of construction, the construction costs, equipment costs, and land costs, along with the terms of the lease and repurchase agreements.

Yours sincerely,

JOHN J. WILLIAMS.

On July 26, 1966, I received the following letter from Joseph P. Doherty, executive assistant to the Assistant Postmaster General, written under date of July 25, 1966:

POST OFFICE DEPARTMENT, ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES,
Washington, D.C., July 25, 1966.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR WILLIAMS: This is in response to your letter of July 6, requesting certain information relative to Post Office Buildings constructed under Lease-Purchase Arrangement during the past 10 years.

The Lease-Purchase Act which was enacted on July 22, 1954, expired on July 22, 1957. During this period of time five postal buildings were constructed under the Act of which only one, Denver, Colorado, Terminal Annex, exceeded $250,000 in construction cost.

With reference to the equipment cost, Denver was the only building requiring mechanization and the cost of the installation of such equipment was $1,385,670.

The information concerning the five locations is attached.

Sincerely,

JOSEPH P. DOHERTY,
Executive Assistance to the Assistant Postmaster General.

Along with the letter the Assistant Postmaster General included an attachment which listed the five offices referred to: Denver, Colo.; Newkirk, Okla; St. Marys, Ohio; West Memphis, Ark.; and Point Pleasant Beach, N.J. The attachment reads as follows:

Location	Construction	Land	Annual rental	From—	To—	Term (years)
Denver, Colo	$7,234,000	$787,000	$476,097	January 1960	January 1985	25
Newkirk, Okla	98,000	14,000	6,413	March 1958	February 1983	25
St. Mary's, Ohio	128,000	7,000	8,635	February 1958	January 1983	25
West Memphis, Ark	131,000	7,000	9,514	January 1958	January 1982	25
Point Pleasant Beach, N.J	139,000	(1)	12,510	October 1958	September 1983	25

[1] Donated.

The letter from the Assistant Postmaster General is not quite accurate. Notwithstanding the fact that the Department says there are only five such buildings, I have a list of around 40 such post office buildings. I am very much concerned that I was not given complete information in reply to a very proper question.

After reviewing some of these projects, however, I can readily understand why the Department was reluctant to outline all of the details. Some of the rents paid are outrageous when considered with the purchase options.

There is one example in particular in which the Government has a leasing arrangement on the building for 30 years and then options for extending it over 70 years. However, the repurchase option which they have on that building, after they have paid rent on the building for 70 years, is actually in excess of what the building cost when it was new.

Certainly that kind of contract is not protecting the interests of the Government. It is time that we ask how the Department can justify an option for the Government to purchase a building after using it for 70 years at a purchase price higher than the original construction cost. Significantly that post office was not included in the list furnished as the result of my inquiry last July. I have many other examples in which the options to purchase are in excess of the original costs. The Government will have paid rent many times over the cost and will still only have an option to purchase the building at a price far in excess of the original cost.

I shall list some of these buildings one by one. This list was compiled from information furnished by the Comptroller General.

For the information of the Senate the list along with details will be placed in the RECORD. However, we do want more than two or three Senators present on the floor when a bill of this importance is considered. I understand that the bill will be carried over until tomorrow, at which time I will outline in greater detail the various contracts that have been entered into and let the Senate decide for itself whether this is a profitable arrangement for the Government to continue.

As far as I am personally concerned, it is not such an arrangement.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

[No. 218 Leg.]

Aiken	Inouye	Pell
Anderson	Jordan, N.C.	Proxmire
Bayh	Jordan, Idaho	Randolph
Byrd, Va.	Kennedy, N.Y.	Ribicoff
Carlson	Kuchel	Robertson
Church	Long, Mo.	Russell, S.C.
Clark	Mansfield	Russell, Ga.
Cotton	McGee	Smith
Dirksen	McGovern	Sparkman
Ellender	Metcalf	Stennis
Gore	Monroney	Talmadge
Gruening	Montoya	Williams, Del.
Harris	Morse	Young, N. Dak.
Hart	Mundt	Young, Ohio
Holland	Pastore	

Mr. INOUYE. I announce that the Senator from Tennessee [Mr. BASS], the Senator from Washington [Mr. MAGNUSON], and the Senator from Arkansas [Mr. MCCLELLAN] are absent on official business.

I also announce that the Senator from Alaska [Mr. BARTLETT], the Senator from North Dakota [Mr. BURDICK], the Sena-

tor from Illinois [Mr. DOUGLAS], the Senator from Mississippi [Mr. EASTLAND], the Senator from North Carolina [Mr. ERVIN], the Senator from Indiana [Mr. HARTKE], the Senator from Arizona [Mr. HAYDEN], the Senator from Alabama [Mr. HILL], the Senator from Minnesota [Mr. MCCARTHY], the Senator from New Hampshire [Mr. MCINTYRE], the Senator from Minnesota [Mr. MONDALE], the Senator from Maine [Mr. MUSKIE], the Senator from Oregon [Mrs. NEUBERGER], the Senator from Florida [Mr. SMATHERS], and the Senator from New Jersey [Mr. WILLIAMS] are necessarily absent.

Mr. KUCHEL. I announce that the Senator from Utah [Mr. BENNETT] and the Senator from California [Mr. MURPHY] are absent because of illness.

The Senator from Colorado [Mr. ALLOTT] is absent on official business.

The Senator from Nebraska [Mr. CURTIS], the Senator from Colorado [Mr. DOMINICK], the Senator from Michigan [Mr. GRIFFIN], the Senator from Kansas [Mr. PEARSON], the Senator from Vermont [Mr. PROUTY], and the Senator from South Carolina [Mr. THURMOND] are necessarily absent.

The PRESIDING OFFICER (Mr. BYRD of Virginia in the chair). A quorum is not present.

Mr. MANSFIELD. Mr. President, I move that the Sergeant at Arms be instructed to request the presence of absent Senators.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana. [Putting the question.]

The motion is agreed to; and the Sergeant at Arms will execute the order of the Senate.

After a little delay the following Senators entered the Chamber and answered to their names:

Bible	Fulbright	Moss
Boggs	Hickenlooper	Nelson
Brewster	Hruska	Saltonstall
Byrd, W. Va.	Jackson	Scott
Cannon	Javits	Simpson
Case	Kennedy, Mass.	Symington
Cooper	Lausche	Tower
Dodd	Long, La.	Tydings
Fannin	Miller	Yarborough
Fong	Morton	

The PRESIDING OFFICER. A quorum is present.

Mr. RANDOLPH. Mr. President, earlier this afternoon the able chairman of the Subcommittee on Public Buildings and Grounds of the Committee on Public Works brought to the Chamber H.R. 14548 and as that measure was before the Senate for discussion, there were brought to the attention of Senators the convictions of the distinguished Senator from Delaware [Mr. WILLIAMS] in reference to the pending legislation.

It is my feeling, Mr. President, that the subcommittee and the committee acted in a knowledgeable manner, based on the information which was available to us, that information having come in testimony during the hearings from a representative of the Post Office Department, as it concerns the Post Office leasing authority.

The House and Senate have been concerned with this subject matter. We have attempted to reach some type of reasonable, realistic, and fair programing for this type of acquisition of facilities for the use of the Post Office Department.

However, in view of the additional information revealed by the distinguished Senator from Delaware [Mr. WILLIAMS], I feel that there is a need to clarify the implementation of the Post Office leasing authority. The Senator from Delaware [Mr. WILLIAMS] asked the Post Office Department to look into some of these matters after the subcommittee and committee hearings. I also have asked the Post Office Department to provide additional information on its long-term leasing program and believe, therefore, that we can act on the basis of that information when we receive it. I do not know the full import of the information which will come to us. However, since the committee has asked for further information and that information has not yet been supplied, and since it seems to me that the Senate must never act without, insofar as possible, the complete and full story from a department involved, we should in our committee have the opportunity to check further into this program and, at a later date, bring back to the Senate, if it is feasible, legislation dealing with the subject matter.

I know of the intense interest of the Senator from Delaware in this problem, and before I make a motion to recommit the pending bill to the Committee on Public Works, perhaps the Senator from Delaware will join me in a discussion of this matter in the light of the possible procedures we may find feasible to deal with the matter realistically and properly at a later time.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. RANDOLPH. I yield.

Mr. WILLIAMS of Delaware. Mr. President, I appreciate the remarks of the Senator from West Virginia. I think this would be the proper step to take in order that the committee can receive and reexamine the information and make it available to the Senate when it considers this legislation.

I appreciate the attitude and cooperation we are receiving from the chairman of the committee. It is typical of his fairness.

I stated earlier that my remarks on the pending bill should not in any way be interpreted as criticism of the committee. I am aware of the information that has thus far been made available to the committee, and if I were a member of that committee, acting with the information that was then available I probably would have voted for the bill.

After the bill was reported to the Senate the minority secretary checked with my office to see if I had any objection to the bill as it was reported to the Senate. The reason the secretary checked my office is that I had opposed the lease-purchase program back in 1954 on the basis that I thought it would be better for the Government to build its own buildings.

Recognizing my previous position, the secretary checked to see if I had any objection to the bill and if I wanted to be present when it was considered. I said that I had made a survey of the manner in which the bill had been administered. In fact, under date of July 6, 1966—and I had the letter printed in the RECORD earlier this afternoon—I had written to the Postmaster General and asked that he make available to me a complete list of all post office buildings costing over $250,000 which had been constructed during the past 10 years under lease-purchase arrangements.

I stated that I would like to have the location, date of construction, construction costs, equipment costs, and land costs, along with the terms of the lease and repurchase agreements.

I received a reply to that letter under date of July 25, 1966, signed by Mr. Joseph P. Doherty, executive assistant to the Postmaster General. In that letter he listed only five buildings that had been constructed under this arrangement.

On the basis of that information I gave clearance to the pending bill because only one of the five locations involved a cost of over $250,000. I saw no need to raise any question about the bill.

After I had cleared the bill it was called to my attention that additional offices had been built and that this letter was not an all-inclusive report, as it should have been.

I went to the majority leader with that information and asked if he would reconsider the bill and restore it to the calendar. He obligingly did that, and I appreciate his action. This was done so that we could have time to develop and examine the additional information.

I have developed information which shows that there have been numerous buildings built under this program. There have been over 40 buildings built that I know of. Many of these buildings, as I pointed out today, in my own opinion have not been under terms that protected the best interests of the Government.

I cite one project which involves a post office building constructed in San Jose, Calif. This building, based on the estimate of the Comptroller General, cost $2,720,860. That is broken down as $2,480,360 for construction cost and $240,500 for land cost. That makes a total cost of $2,720,860.

The Government has a contract to lease this building for a minimum of 30 years at an annual rent of $205,840. The Government then has options, 5 years at a time, for another 40 years. Conceivably, under these options the Department could contract to use this building for 70 years.

They have an option to repurchase this building at the end of 70 years at a cost of $2,800,000, or $80,000 more than it cost to construct the building.

We had been led to believe that these buildings were being leased, with the Government paying annual rentals, and that after we had paid that rental we would get the buildings at its depreciated value or at a nominal cost. However, under this option at the end of 70 years the Government would only be able to purchase the building at a price $80,000 more than the original cost.

We all know that a 70-year-old building would not be worth from 3 to 5 percent more than its construction cost. This is utterly ridiculous.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. RANDOLPH. Do I correctly understand that the case being presented or documented by the able Senator from Delaware comes within the 30-year leasing provision of the Post Office Department contract?

Mr. WILLIAMS of Delaware. Yes.

Mr. RANDOLPH. What was the date of the construction?

Mr. WILLIAMS of Delaware. The agreement to lease was accepted June 25, 1964. The facilities were to be completed May 26, 1966. The term of the lease is 30 years. According to the contract, at the end of 70 years the Government is supposed to have a chance to buy back the building for $2,800,000 or $80,000 more than it actually cost.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD the report on the San Jose, Calif., building, outlining the terms of the lease, the renewal options, and the options to purchase over the period of 70 years.

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

SAN JOSE, CALIF.

1. Original successful bidder was Universal Equities, Inc.; Richard M. Cohen, President. Contract assigned to Goodrich San Jose Company, a partnership consisting of Richard M. Cohen and Marilyn Goodman, 750 Third Avenue, New York, New York 10017.

2. (a) (1) Resume of bids is attached.

3. Agreement to Lease accepted June 25, 1964. Facility to be completed by May 26, 1966. Lease term to be 30 years. Base annual rent is $205,840.00, as bid.

Renewal options and options to purchase

Eight 5-year renewal options at $205,840, $205,840, $200,000, $200,000 $195,000, $195,000, $185,000 and $180,000 each, consecutively, with purchase options at the ends of 30, 35, 40, 45, 50, 55, 60, 65, and 70 years in the following respective amounts: $3,000,000; $2,975,000; $2,950,000; $2,950,000; $2,950,000; $2,900,000; $2,850,000; $2,825,000 and $2,800,000.

Mr. RANDOLPH. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. RANDOLPH. Perhaps it would be helpful to reflect that under the provision of the bill as reported by the committee, this is a project which would have to have a prospectus that would come before the Committee on Public Works.

Mr. WILLIAMS of Delaware. The Senator is correct. The bill which the committee reported is much better than existing law. However, I believe—and I feel certain that the Senator from West Virginia agrees with me—that we should have and the committee should have access to information as to how the program has worked in the past so that we can determine whether or not the Government has been properly protected.

I believe we should have an explanation as to why these contracts have been entered into as they have. If it were only one case perhaps it could be said that it was an oversight or an error, but there are others.

Another project is in Oklahoma City. This is a building constructed by the Beacon Construction Co., of Boston, Mr. Robert Leventhal, treasurer.

Under this contract the Government is obligated for 30 years at an annual rent of $349,300. Under this contract the Government will pay $10,479,000 in rent over the first 30 years. At the end of 30 years, the Government has an option to buy at $5 million this building which cost $4,738,336 to construct—or, about $262,000 more than its cost.

Mr. RANDOLPH. What was the date of construction?

Mr. WILLIAMS of Delaware. The agreement to lease this building was accepted June 25, 1964. It is a new building, just been constructed.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD exhibit E, with respect to the Oklahoma City project.

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

OKLAHOMA CITY, OKLA.

1. "Original successful bidder was Beacon Construction Company of Massachusetts, Inc., 100 Hano Street, Boston, Massachusetts 02134; Robert Leventhal, Treasurer; Harvey L. Steinberg, Vice President; Norman Leventhal, President. Contract assigned to Norman B. Leventhal and Robert Leventhal pursuant to liquidation of Corporation."

2. (a) (1) Resume of bids attached.

3. Agreement to Lease accepted June 25, 1964. Facility to be completed by March 17, 1966. Lease term to be 30 years. Base annual rent is $349,300.00, as bid.

Renewal option and option to purchase

Eight 5-year renewal options at following respective annual rental rates: $349,300; $330,000; $330,000; $290,000; $250,000; $250,000; $225,000; and with purchase options at the ends of the respective terms as follows: $5,000,000; $4,500,000; $4,500,000; $4,300,000; $3,900,000, $3,900,000; $3,900,000; $3,400,000 and $3,400,000.

Mr. WILLIAMS of Delaware. The next post office building which I shall discuss is in Greensboro, N.C. This building was constructed by the C. H. Leavell & Co., of El Paso, Tex. Based upon the Comptroller General's report, the construction cost was $3,571,685, and the land cost was $381,000, making a total of $3,952,685. For the next 30 years the Government is obligated to pay annual rental of $316,638, or a total of $9,499,140. After 30 years the Government has an option to buy that building at $4.5 million, about $550,000 more than it cost.

Congress has been operating under the impression that options to purchase these buildings at the end of the lease took into consideration the depreciated values of the buildings. There are many lease-purchase agreements in private industry and the rentals paid are always taken into consideration with the purchase option.

Mr. RANDOLPH. I ask the Senator the construction date of this one, too.

Mr. WILLIAMS of Delaware. The agreement to lease was accepted July 1, 1964, the facility to be completed February 21, 1966.

I ask unanimous consent that the brief summary of the renewal rental options, the option to purchase arrangements, and the lessor's name and address on this particular project be printed at this point in the RECORD.

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

GREENSBORO, N.C.

1. Lessor is C. H. Leavell & Company, 1900 Wyoming Avenue, El Paso, Texas 79987; Joe Lea, Executive Vice President (Administration); H. H. Lippincott, Executive Vice President (Estimating and Engineering); M. V. Beckstrand, Secretary.

2. (a) (1) Résumé of bids attached.

3. Agreement to Lease was accepted July 1, 1964. Facility is to be completed by February 21, 1966. Term to be 30 years. Based annual rent is $316,638.00, as bid.

Renewal option and option to purchase

First 5-year renewal option at $316,638; the second at $316,638 for its first three years and at $266,638 for its last two years and the last six renewal options at $226,748; $226,748; $226,748; $213,907; $213,907 and $213,907 each. Purchase options at the ends of 30, 35, 40, 45, 50, 55, 60, 65, and 70 years in the following respective amounts: $4,500,000; $4,000,000; $3,625,000; $3,625,000; $2,900,000; $2,900,000; $2,900,000; $2,675,000 and $2,675,000.

Mr. WILLIAMS of Delaware. There is a project in Sacramento, Calif. This purchase option is not quite as bad, but there is still a question as to the wisdom of this plan. The option to purchase at the end of 30 years is $4 million. The construction cost of this project was $4,098,248, the land cost was $400,490, or a total construction cost of $4,498,738. This is under a 30-year lease, at $378,000 a year. We will have paid $11,340,000 in rents on this project in the 30 years, and at the end of the 30 years the Government has an option to buy it for $4 million, or $498,000 less than it cost. Surely it would be cheaper for the Government to build in the first place.

I ask unanimous consent that the data in connection with this particular project be printed at this point in the RECORD.

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

SACRAMENTO, CALIF.

1. Lessor is Columbia Company, 50 West Broad Street, Columbus, Ohio 43215; Harold C. Rausch, Vice President; G. C. Brown, Assistant Secretary.

2. (a) (1) Résumé of bids is attached.

3. Agreement to Lease was accepted June 8, 1964. Facility is to be completed by September 1, 1965. Term to be 30 years. Base annual rent in $378,000.00 as bid.

Renewal option and option to purchase

Renewal options at $378,000; $280,000; $260,000; $240,000; $220,000; $200,000; $190,000; and $180,000 each. Purchase options at the end of 30, 35, 40, 45, 50, 55, 60, 65 and 70 years in the following respective amounts; $4,000,000; $3,500,000; $3,500,000; $3,000,000; $3,000,000; $2,500,000; $2,500,000; $2,000,0000 and $2,000,000.

Mr. RANDOLPH. May I inquire again as to the date?

Mr. WILLIAMS of Delaware. The lease agreement was dated on June 8, 1964.

The next project I discuss is in Stratford, Conn. This lease is for a 20-year period. We are obligated to rent this building for 20 years, at $49,520 a year.

I do not have the construction costs on this project. I only have a record of the 20-year lease at $49,520. At the end of 20 years we shall have paid $990,400 in rent on this building and we have an option to buy it there for $555,000.

As stated, I do not have the cost figures on this project. I ask unanimous consent that the information which I have in connection with this Stratford, Conn., project be printed at this point in the RECORD together with a supplementary report as furnished by the Comptroller General's office.

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

STRATFORD, CONN.

1. Original successful bidder and lessor was Green Manor Construction Company, Inc.; Seymour B. Kaplan, Vice President-Secretary. Enabling resolution also names Neil H. Ellis as President. Present lessor is First Hartford Realty Corporation, 685 Parker Street, Manchester, Connecticut 06040.

2. (a) (1) Résumé of bids is attached as Exhibit "A".

3. Agreement to Lease accepted April 29, 1961. Lease term is January 1, 1964 through December 31, 1983. Annual rent is $49,520.00 as originally bid.

Renewal options

(a) 10 years at $47,000.00 per annum.
(b) 5 years at $44,700.00 per annum.
(c) 5 years at $42,500.00 per annum.
(d) 5 years at $42,500.00 per annum.
(e) 5 years at $42,500.00 per annum.
(f) 0 years at $ None per annum.

Options to purchase

(a) At end of 10th year of basic lease term: $610,000.
(b) At end of basic 20-year lease term: $555,000.
(c) At end of 10-year renewal option term: $500.000.
(d) At end of first 5-year renewal option term: $450,000.
(e) At end of second 5-year renewal option term: $405,000.
(f) At end of third 5-year renewal option term: $350,000.
(g) At end of fourth 5-year renewal option term: $350,000.

POST OFFICE—STRATFORD, CONN.

Lessor: Green Manor Construction Company, Inc., 685 Parker Street, Manchester, Connecticut.

Effective date of lease: January 1, 1964.

Basic lease term: 20 years, January 1, 1964 to December 31, 1983.

Annual Rental: $49,520.00.

Lessor responsible for maintenance. The Government pays for heat, custodial service, and all utilities.

Formal advertising procedures were used to award contract.

Contract was awarded in April 1961.

Contract required completion of construction no later than April 28, 1962.

Building was substantially completed in September 1963.

Reasons for delay in completion:

1. Lessor experienced difficulty in obtaining financing.

2. Lessor did not prepare plans and specifications in a timely manner.

The Post Office Department occupied the building October 1, 1963 through December 31, 1963, at a reduced rental of $3,200 a month. Full monthly rental under the lease is $4,126.66. This amount paid beginning January 1, 1964.

Post Office Department (POD) contract files located in Washington, D.C. indicate a great deal of faulty constuction.

The contract files also indicate that POD permitted some changes (capacity of boiler, covering of duct work in workroom, type of urinals, floor tile, etc.) from the final plans and specifications prepared by the lessor and approved by POD. There is an indication that some of the changes were permitted because of differences between POD's building requirements issued with the invitation to bid and the final plans and specifications prepared by the lessor. A determination as to the number of changes and whether the changes should have resulted in credits to the Government would require (1) a detail comparison of the POD's building requirements issued with the invitation to bid with the final plans and specifications approved by POD and the "as built" drawings, and (2) an inspection of the completed building.

Lessor has submitted a claim ($3,659.48) to POD for additional work. The Department has reviewed this claim and agreed to pay the lessor $2,681.25. Lessor has not accepted the offer of $2,681.25 made by POD on September 2, 1964.

Contract files located in Washington, D.C. contain a letter from a law firm, Bailey, Wechsler, Shea and Michelson, 266 Pearl Street, Hartford, Connecticut. This law firm handled an assignment of the lease for the lessor. The letterhead shows that a John M. Bailey is a member of the firm.

Mr. RANDOLPH. May I ask the date on that project?

Mr. WILLIAMS of Delaware. The lease on this project is dated April 29, 1961.

Mr. RANDOLPH. The reason why I am asking the Senator to add that fact is that I presume that none of these have been of such a length of time that an option would have been exercised.

Mr. WILLIAMS of Delaware. The purchase options?

Mr. RANDOLPH. Yes.

Mr. WILLIAMS of Delaware. I believe the Senator is correct.

In this project there was a delay in the completion of the building, and this report indicates that there was controversy as to certain change orders in construction. Post Office Department files indicate a great deal of faulty construction and change orders.

Next I mention four other projects that the Comptroller General surveyed separately. These four projects were in Toledo, Cincinnati, Harrisburg, and Detroit. I should like to read what the Comptroller General has said about these four projects with respect to the wisdom of constructing these buildings under such a lease-purchase agreement:

We estimate that, if the four facilities included in our review had been constructed for Government ownership, the total cost to the Government, including imputed interest, would be about $62 million less over the basic 30-year terms of the leases.

The Comptroller General discusses these four projects, and I ask that the remainder of his report in connection with these four projects be printed at this point in the RECORD.

These are the buildings in Toledo, Cincinnati, Harrisburg, and Detroit.

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

COSTS OF ACQUIRING POSTAL FACILITIES THROUGH LEASING EXCEED COSTS OF ACQUIRING POSTAL FACILITIES FOR GOVERNMENT OWNERSHIP

We estimate that, if the four facilities included in our review had been constructed for Government ownership, the total cost to the Government, including imputed interest, would be about $62 million less over the basic 30-year terms of the leases. This amount, however, is not the full measure of the probable additional cost to the Government resulting from leasing rather than Government ownership, because it does not take into consideration (1) the additional rentals to be paid if the Government exercises its lease renewal options and (2) the additional rentals which probably will be paid as a result of tax escalation provisions included in the leases. In addition, by leasing, the Government fails to acquire any interests in the residual value of the properties at the end of the lease periods.

In comparing leasing costs with ownership costs, we accumulated rent data as shown in the agreements to lease and used POD's estimates of various cost factors. Imputed interest on the estimated expenditures for both leasing and Government ownership was considered because amounts expended for rent could otherwise be used to reduce the interest-bearing public debt, and the amounts that would have been expended if the facilities had been constructed for Government ownership would have increased the public debt or prevented a reduction of the debt. Following is a summary comparison of the costs of leasing the four facilities with the estimated costs of constructing them for Government ownership. The amounts shown do not include any additional costs or rental increases resulting from change orders after execution of the agreements to lease.

Mr. WILLIAMS of Delaware. I shall comment briefly on each of these four projects.

First the Toledo project. This is a contract to lease at $359,300 per year for 30 years a total of $10,779,000 will be paid in rent. The cost of the land in this project was $715,941, and the construction cost was $3,735,109, or a total cost of $4,451,050. That is the total construction cost based upon the Comptroller General's figures. At the end of 30 years, after paying $10,779,000 rent, we have an option to buy that building for $5,200,000, or about $750,000 more than it had cost 30 years before.

This Toledo building was built by the Beacon Construction Co., of Boston.

Mr. President, the Cincinnati project was constructed on a 30-year lease at $712,883 per year rental. That means that over the 30 years we will pay $21,386,490 in rent. The cost of that project based on figures from the Comptroller General was $6 million, exclusive of change orders. The Government has an option at the end of 30 years to buy this building at $4.5 million. In the meantime we will have paid $21 million in rent. This project was built by Johnson, Drake & Piper, Inc., Terre Haute, Ind.

The third project mentioned in this report was at Harrisburg, Pa. That was built on a 30-year lease contract with the Government paying an annual rental of $631,359.55.

The Government has an option to buy this building at the end of 10 years, at the end of 20 years, and at the end of 30 years, but if it does not buy at the end of 10 years or 20 years it would have to pay the rental for 30 years.

This Harrisburg building, based on the report of the Comptroller General, cost $5.2 million. I am not sure that that $5.2 million includes interest during construction.

After this building has been leased for 10 years, we will have paid $6,313,595.50 rent. At the end of 10 years we have an option to buy this building, which cost $5.2 million, for $7,750,000. After paying $6.3 million in rent we can buy it 10 years later at $2.5 million over what it originally cost. In 20 years we will have paid $12 million rent on this same building. The Government has an option to buy it for $6.5 million, or $1.3 million over its original cost. At the end of 30 years after paying $18 million in rents we have an option to buy at $4,256,000.

This building was built by Thomas D. McCloskey, Philadelphia. The Comptroller General said this building was considerably larger than it needed for its space.

Mr. President, I ask unanimous consent that the comments of the Comptroller General on this project, along with the breakdown showing the lease terms, the renewal option, and the option to purchase on the Harrisburg project be printed in the RECORD.

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

HARRISBURG

The new Harrisburg facility, which became fully operational in August 1962, is located away from the center city area on a site adjacent to the railroad terminal. About 259,000 square feet of interior space is provided in the main building and lubritorium, and about 153,000 square feet of outside space is provided for truck maneuvering, parking, and other purposes. The facility is being leased by the Department for a basic term of 30 years at an annual rental of about $631,000. The facility is connected to the railroad station by means of a conveyor system, which is part of the mechanized mail-processing equipment installed by the Department at a cost of more than $2 million.

1. We observed that the mechanized mail-handling equipment in the Harrisburg facility was not being fully utilized. A POD official told us that this facility was over-mechanized and too large and expressed the opinion that, if POD had a chance to do it over again, a smaller facility would be built.

2. POD's space standards contained criteria for determining the amounts of space to be provided for swing rooms and locker rooms. Because we were unable to locate planning records containing certain data necessary for determining whether the space provided for swing and locker rooms conformed to the standards, we asked POD to make this determination for us with respect to the Harrisburg facility.

POD's reply included a computation of the swing- and lockerroom space authorized by the space standards and added that there is not excessive swing- and locker-room space in the Harrisburg building. We are unable to understand the basis for POD's statement that there is not excessive swing- and locker-room space in the Harrisburg building, because POD's computation of the space authorized by the space standards shows a total of 8,766 square feet compared with the 11,833 square feet of swing- and locker-room space provided in the building.

HARRISBURG, PA.

1. Lessor is Thomas D. McCloskey, as an individual, 1620 West Thompson Street, Philadelphia, Pennsylvania 19121.

2. (a) (1) Résumé of bids is attached.

3. Agreement to Lease accepted October 28, 1960. Lease is dated September 17, 1962. Term is October 1, 1962 through September 30, 1992. Annual rent is $631,359.55 including amortized change order work.

Renewal option

(a) First renewal option term: 10 years at $376,380.00 per annum.

(b) Second renewal option term: 5 years at $286,110.00 per annum.

(c) Third renewal option term: 5 years at $286,110.00 per annum.

(d) Fourth renewal option term: 5 years at $241,740.00 per annum.

(e) Fifth renewal option term: 5 years at $195,840.00 per annum.

(f) Sixth renewal option term: 5 years at $195,840.00 per annum.

(g) Seventh renewal option term: 5 years at $195,840.00 per annum.

Options to purchase

(a) At the end of first 10 years of basic lease term: $7,750,000.00.

(b) At the end of first 20 years of basic lease term: $6,500,000.00.

(c) At the end of basic 30-year lease term: $4,256,000.00.

(d) At the end of 10-year renewal option term: $3,420,000.00.

(e) At end of first 5-year renewal option term: $3,420,000.00.

(f) At end of second 5-year renewal option term: $2,280,000.00.

(g) At end of third 5-year renewal option term: $2,128,000.00.

(h) At end of fourth 5-year renewal option term: $1,900,000.00.

(i) At end of fifth 5-year renewal option term: $1,900,000.00.

(j) At end of sixth 5-year renewal option term: $1,900,000.00.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. MORSE. I have been listening to the Senator from Delaware since I arrived on the floor of the Senate. I am interested in the subject of his objections to the bill.

Would the Senator let me ask a question or two to be certain that I understand the theory of his objections?

Mr. WILLIAMS of Delaware. First, I should say that this building in Harrisburg was built by Thomas D. McCloskey as an individual.

I yield to the Senator from Oregon.

Mr. MORSE. What we are really dealing with is the lease-purchase arrangement whereby we permit private individuals to build a building and the Federal Government guarantees that it will lease it for a certain leased cost. In addition, there is included in the contract option for the United States to buy the building after the termination of a given period of time. Is that correct?

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. MORSE. The Senator from Delaware will recall that when this matter was first proposed in the Senate the senior Senator from Oregon opposed the whole arrangement. The CONGRESSIONAL RECORD will show that at that time I argued that the American taxpayer would be taken for a ride and that such an arrangement would prove to be wasteful and costly. In one of those speeches I referred to it as a new proposal for subsidizing the private enterprise system, which is a very kind description, I believe, of the entire arrangement, because it was a scheme—and I think that the figures of the Senator from Delaware bear it out—that would amount to double profits.

Is it not true that the lease arrangements that the Federal Government enters into for most of these buildings, on the basis of the investment of the builder, are exceedingly favorable lease arrangements to the builder of the building?

Mr. WILLIAMS of Delaware. In my opinion they are. I do not think any such liberal contracts comparable to this will be found in private industry. I opposed this proposal in the beginning. It was first passed in 1954. I said then it was a method of avoiding the charging of the cost of construction to the current budget. I thought that it would be better and cheaper to the Government to construct its own buildings.

Those who were in favor of the lease-purchase proposal pointed out that the rent that was being paid on these buildings over the 30-year contract would go to defray the cost of the building but that at the end of the contract, the Government would be able to buy these buildings at a low cost and thereby offset the amounts paid in rentals. I have pointed out here today many cases where the option of the Government to buy the buildings is not on a depreciated basis but on a basis actually in excess of the cost.

The next project I discuss is even more glaring than any which I have mentioned before. The next project that I shall discuss is a building in Detroit, Mich., that cost $15.8 million. The Government is leasing it at $1,801,473.33 a year. At the end of 10 years we will have paid rents of $18,014,733.30. The Government has the option at the end of 10 years to buy it for $21,700,000, and it only cost $15,807,650 when built. This would represent a profit of $5.9 million plus rents collected.

If the Government does not buy at the end of 10 years, it will have to keep paying rent. At the end of 20 years, it will have paid $36,029,466.60 rent on this property. Then it has an option to buy the building for $17,300,000, which is about $1.5 million more than the cost to build. In 30 years, the Government will have paid rents totaling $54,044,199.90, and the Government then has an option to buy for $11 million.

There is an additional factor in this instance. The Government assumes all the expense of maintaining this building. All of the expenses of maintenance are charged to the U.S. Government, not to the man leasing the building to the Government. In addition, there is an escalation clause to the effect that if taxes on the building are increased, the Federal Government will pay extra for such increase.

There is another questionable factor. The bid on this building was accepted under a competitive bidding arrangement and on the basis that the man building it would maintain the building, and the contract was awarded on that basis.

About 2 years after the contract was awarded, for no reason that I can understand, the contract was changed. Instead of the lessor maintaining the

building, as was provided under the original contract whereby he assumed the cost of the maintenance of the air conditioning and heating units, lights, painting, and all of the services that go with buildings of that type to keep it in a good rental condition, the Government obligingly assumed all of that responsibility for a nominal reduction in rent.

Just why this change was made I cannot understand, nor have I found any reasonable explanation.

The Comptroller General examined that particular change in contract, and he said that that one decision, for which there was no valid reason whatsoever, will cost the Government $2.8 million more over the 30-year period of the lease.

Mr. President, I shall ask unanimous consent to have printed in the RECORD the Comptroller General's comments on this particular point, but I shall first read one paragraph to show the cost to the Government of this change which was made after the contract had been awarded. I quote from the Comptroller General's report:

> We estimate that the assumption of maintenance by the Government will result in Post Office Department's cost of maintenance being $2.8 million more over the basic 30-year lease term than if maintenance had remained the responsibility of the lessor in accordance with the terms of the agreement to lease.

The McCloskey Co. in Philadelphia was the contractor in this particular case. I tried to find out who in the Department made the decision but was unable to find anyone who knows who authorized the change. Nevertheless the fact remains that the contract was changed, and according to the Comptroller General, the McCloskey Co. will get $2.8 million more over the 30 years than it would have collected if the contract had not been changed.

I ask unanimous consent to have printed in the RECORD a report on this project followed by the Comptroller General's comments.

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

POST OFFICE DEPARTMENT, ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES,
Washington, D.C., April 29, 1965.

Hon. JOHN J. WILLIAMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: This refers further to your letter of March 31, 1965, to Postmaster General John A. Gronouski, concerning the Main Post Office building in Detroit, Michigan.

An Agreement to Lease, submitted by the Federal Projects Corporation, 1620 West Thompson Street, Philadelphia, Pennsylvania 19103, in competitive bidding, was accepted on June 9, 1959. The corporate enabling resolution accompanying the bid named the following officers: M. H. McCloskey, President; William K. Stewart, Vice President; Thomas D. McCloskey, Treasurer; and J. Dress Pannell, Secretary.

The Department does not inquire of lessor corporations as to the identity of its officers, directors, or stockholders beyond those officers duly authorized to act for the corporation in connection with the transaction. Title remained vested in Federal Projects Corporation until December 31, 1964, when it passed to Matthew H. McCloskey, III, Suburban Station Building, Philadelphia, Pennsylvania 19103.

The lease is dated March 21, 1961. The term is March 1, 1961 through February 28, 1991. The annual rent is $1,801,473.33, including amortized change order work. The lease contains the following options:

RENEWAL OPTIONS

(a) First renewal option term—10 years at $1,127,000 per annum.

(b) Second renewal option term—10 years at $877,000 per annum.

(c) Third renewal option term—5 years at $867,000 per annum.

(d) Fourth renewal option term—5 years at $862,000 per annum.

(e) Fifth renewal option term—5 years at $857,000 per annum.

(f) Sixth renewal option term—5 years at $852,000 per annum.

Options to purchase

(a) At end of 10th year of basic lease term	$21,700,000
(b) At end of 12th year of basic lease term	17,300,000
(c) At end of basic lease term	11,000,000
(d) At end of 1st renewal term	8,800,000
(e) At end of 2d renewal term	6,000,000
(f) At end of 3d renewal term	5,500,000
(g) At end of 4th renewal term	5,000,000
(h) At end of 5th renewal term	5,000,000
(i) At end of 6th renewal term	5,000,000

This project was bid and awarded on the basis of annual rent. Accordingly, the Department does not have and cannot provide the actual construction cost of the building. This information is in the possession of the lessor.

Sincerely,

JOSEPH P. DOHERTY,
Executive Assistant to the Assistant Postmaster General.

Prior to the opening of the bids for the lease of the Detroit facility, POD estimated that additional costs of $142,110 annually would be incurred if building maintenance was assumed by the Government. Federal Projects Corporation submitted alternate bids proposing the following annual rental prices with lessor maintenance and with Government maintenance:

[In thousands of dollars]

Period	Annual rental bid		Difference
	With lessor maintenance	With Government maintenance	
Basic 30-year lease term	1,884	1,780	104
1st 10-year renewal option	1,250	1,005	245
2d 10-year renewal option	1,000	700	300
1st 5-year renewal option	990	690	300
2d 5-year renewal option	985	685	300
3d 5-year renewal option	980	680	300
4th 5-year renewal option	975	675	300

POD accepted the Federal Projects bid on the basis that the lessor would be responsible for building maintenance. The agreement to lease shows that, with maintenance the responsibility of the lessor, the POD was responsible only for replacement of light bulbs or tubes, janitorial services, and operating personnel for building services. The lessor was responsible for maintaining all building equipment, fixtures, improvements, and appurtenances in good repair and tenantable condition, including maintenance, repair, and replacement of all items contained in the drawings and specifications. The lessor was also required to repaint the building interior every 5 years.

POD records indicate that in August 1960 there was a difference of opinion between the lessor and POD regarding whether or not the lessor's contractual obligation for maintenance included responsibility for oiling and greasing the various types of equipment and for furnishing and replacing filters in the air-handling equipment. These matters were discussed at a meeting between POD and lessor officials on August 5, 1960, and in correspondence in September 1960, but we found no indication in the records as to whether they were resolved at that time.

A letter dated February 10, 1961, from Federal Projects Corporation to the Assistant Postmaster General, Bureau of Facilities, stated that, at a meeting on February 8, 1961, between lessor and POD officials, both parties agreed to place maintenance responsibility as the exclusive obligation of the Government, for a reduction of $123,000 in the annual rental amount for the basic lease term and for all renewal option periods. The signature of the Acting Assistant Postmaster General, Bureau of Facilities, dated February 13, 1961, indicated POD's acceptance of the agreement. The lease which POD entered into on March 21, 1961, with Federal Projects Corporation provides for Government maintenance of the entire premises, including replacement of walk-in refrigerators; electric elevators; hoists and monorails; scales; heating, ventilating, and air conditioning equipment; and other listed items of equipment. The provisions of the agreement to lease, executed by POD with Federal Projects Corporation on June 9, 1959, had indicated that the lessor was to be responsible for replacement of all items included in the drawings and specifications. The proposed agreement to lease shows that, with maintenance the responsibility of the Government, the Government's responsibility was limited to the repair and replacement of only certain specific items in the specifications.

We were unable to determine how the $123,000 reduction in annual rental was negotiated. However, a POD official said he recalled that it was arrived at by splitting the difference between the $104,000 included for maintenance in the lessor's bid (difference between rental bid price with lessor maintenance and bid price with Government maintenance) and the $142,110 previously estimated by POD for maintenance.

On the basis of the POD estimate of $142,110 for Government maintenance costs, the transfer of maintenance responsibility to the Government would apparently result in additional annual costs of $19,110, or $573,300 over the basic 30-year lease term. However, this figure is based on the assumption that $142,110 is an accurate estimate of annual maintenance costs over the basic 30-year lease term, whereas experience during the first few years of the lease indicates that costs will average at least 50 percent more.

Data furnished us by Detroit Post Office maintenance officials indicates that the annual building maintenance costs will average about $202,400 for the first 5 years of the lease and about $220,000 for the remaining 25 years of the basic lease. This includes the estimated cost of periodically painting the building. Detroit Post Office officials said that these estimated costs were conservative and did not include labor and material cost escalation, labor fringe benefits, or miscellaneous expenses.

On the basis of the above figures, we estimate that the assumption of maintenance by the Government will result in POD's cost of maintenance being $2.8 million more over the basic 30-year lease term than if maintenance had remained the responsibility of the lessor in accordance with the terms of the agreement to lease. Moreover, indeterminate

but apparently substantial, additional costs may be incurred in the future by POD for replacement of building equipment, such as air-conditioning equipment.

The difference between the lessor's alternate bids under lessor maintenance and Government maintenance ranged between $245,000 and $300,000 per year for the renewal option periods compared with only $104,000 per year for the basic 30-year lease term. We noted, however, that POD negotiated the same reduction in annual rent—$123,000—for the renewal option periods as for the basic lease term.

DETROIT

The new Detroit facility is located near the downtown area, a freeway, and railroad services. The facility consists of (1) a five-story mail-handling building containing about 916,000 square feet of space, (2) an adjoining 10-story administration building (plus basement) containing about 128,000 square feet of space, and (3) parking lots covering about 125,000 square feet of land. The mail-handling building includes space for railroad cars and for truck platforms. POD accepted a portion of the facility in October 1960 and began paying partial rent. Effective March 1, 1961, POD began leasing the entire facility for a basic term of 30 years at an annual rental of $1,801,473. Detroit Post Office records indicated that the transfer of mail-handling functions to the new facility was completed in February 1962. POD records show that in October 1963 the Detroit facility contained mechanized mail-processing equipment valued at about $9.6 million.

1. According to a postal inspector's report of February 7, 1962, files relating to the planning of the Detroit facility were lost in December 1961.

2. The space provided for the Detroit Postmaster and his executive staff on the 10th floor of the administration building and the space assigned for the administrative staffs on the 7th through 9th floors of this building exceed POD's current space standards by about 63 percent and exceed GSA's space standards by about 134 percent.

3. About 850 square feet of space in the administration building was being used for employee locker rooms. GSA's space planning guide states that clothes lockers in an office layout are out of date and wasteful. The POD space standards are not clear as to whether or not locker space should be provided for office employees.

4. POD was unable to sublet a leased terminal which was vacated when the operations were transferred to the new facility. The rent on the vacant terminal to the end of the lease period amounted of $79,688.

5. In 1955 POD obtained an option to purchase a railroad property for $350,000. The option price was increased to $400,000 as a result of two 1-year extensions of the option, and the land was purchased at this price in September 1958. Railroad officials advised POD that the increased prices were to partially reimburse them for carrying charges, taxes, and holding the land out of productive use.

6. In 1958, during the planning for a cafeteria, the Detroit Post Office's Employees Cafeteria Committee proposed that a caterer finance the cost of cafeteria equipment. Subsequently this equipment, which consisted of both movable and fixed items, was added to the Detroit facility as a construction change at a cost of $98,281. This amount consisted of $82,973 for furnishing and installing the equipment, a 15-percent markup by the general contractor, and an additional 3-percent markup by the lessor.

7. The agreement to lease for the Detroit facility was awarded on the basis of lessor responsibility for maintenance; however, about a month prior to the execution of the lease, the responsibility for building maintenance was transferred to the Government and the annual rental for the facility was reduced $123,000 for the basic lease term and all renewal option periods.

Prior to the receipt of bids for the lease construction of the Detroit facility, POD estimated that building maintenance by the Government would cost $142,110 annually. On the basis of this estimate, the assumption of maintenance responsibility by the Government would apparently result in additional annual costs of $19,110, or $573,300 over the basic 30-year lease term. However, this figure is based on the assumption that POD's estimate of $142,110 is an accurate estimate of annual maintenance costs over the basic 30-year lease term, whereas experience during the first few years of the lease indicates that costs will average at least 50 percent higher.

On the basis of estimates of future maintenance costs provided to us by Detroit Post Office officials, we estimate that the assumption of maintenance by the Government will result in POD's cost of maintenance being $2.8 million more over the basic 30-year lease term than if maintenance had remained the responsibility of the lessor in accordance with the terms of the agreement to lease. Moreover, indeterminate but apparently substantial, additional costs may be incurred by POD in the future for replacement of building equipment, such as air-conditioning equipment.

The advertisement for bids for the Detroit facility required alternate bids for annual rental on the basis of building maintenance by the lessor and by the Government. We noted that the difference between the lessor's alternate bids under lessor maintenance and under Government maintenance ranged between $245,000 and $300,000 per year for the renewal option periods compared with only $104,000 per year for the basic lease term. Nevertheless, POD negotiated the same reduction in annual rent ($123,000) for the renewal option periods as for the basic lease term.

8. After the Detroit facility was accepted and rental payments had started, POD authorized alterations or modifications of the facility at a cost of $312,095. These alterations or modifications were made by the lessor at negotiated fixed prices under change orders to the agreement to lease. Because of time limitations and because records pertaining to this work were not readily available, we did not determine the specific reasons for these alterations and modifications.

With respect to the Detroit facility, POD's estimate of construction cost was $20.1 million. The lessor informed us that its records for this facility had been disposed of. The lessor's construction contractor told us that its basic contract with the lessor was $15,660,000, and we determined that the premium on the lessor's performance bond was $147,650. These costs, which total $15,807,650, do not include certain other costs which the lessor may have incurred during construction, such as interest on construction loans, real estate taxes, insurance premiums, and general administration expenses.

With respect to the Harrisburg facility, POD had estimated construction costs as $6.4 million; the lessor and the general contractor provided us with cost data which showed actual construction costs of about $5.2 million.

Although bidders are not required to submit cost estimates in connection with their rental bids, the successful bidder on the Cincinnati facility furnished POD with an estimate showing $6.6 million as the anticipated construction costs, and POD used this estimate in evaluating the reasonableness of the bid. The contractor's records showed actual construction costs to have been about $6.6 million, including costs related to change orders. We estimated that construction costs of the facility, exclusive of change orders, amounted to about $6.1 million.

15. The lease terms for each of the four facilities included in our review provide for a 30-year basic lease period with several different renewal and purchase options. The following tabulation shows the annual rentals (after revisions for contract changes) payable during the basic lease terms, the annual rentals payable during the first renewal option period following the basic lease terms, and the purchase option prices at the end of the basic lease terms.

	Annual rental payable—		Purchase option price at end of basic lease term
	During basic lease term	During 1st renewal option period	
Detroit	$1,801,473	$1,127,000	$11,000,000
Harrisburg	631,360	376,380	4,256,000
Cincinnati	712,883	465,000	4,500,000
Toledo	359,300	359,300	5,200,000

For the Detroit, Harrisburg, and Cincinnati facilities, the purchase option prices at the end of the 30th year are about 50 percent of the estimates of the lessors' site and construction costs which POD used in evaluating the low bids; for the Toledo facility, the purchase option price at the end of the 30th year exceeds the estimate of the lessor's project cost by about $700,000.

16. The agreement to lease for the Toledo facility and the leases for the other three facilities included in our review provide for several different purchase and renewal options. The earliest of the purchase options cannot be exercised until 1971, and the earliest of the basic lease terms will not expire until 1991. Although maximum savings would have been realized if the facilities had been initially acquired for Government ownership, savings of about $21 million can still be realized if POD exercises the purchase options on the Detroit, Harrisburg, and Cincinnati facilities when they first become available 10 years after the start of the basic lease terms. The first purchase option on the Toledo facility cannot be exercised until the expiration of the 30-year basic lease term.

17. Each of the leases for the four facilities included in our review contained, or will contain, a tax escalation clause providing for upward or downward adjustment of rentals on the basis of the actual annual real estate taxes paid on the completed facility in relation to POD's estimate of real estate taxes stipulated in the advertisement for bids and included in the basic annual rental for the facility.

As a result of the tax escalation provision, POD paid additional rentals for the Detroit facility ranging from $146,501 for 1961, when the facility was completed, to $96,711 for calendar year 1964. For the Harrisburg facility, POD received a refund of $25,420 from the lessor for the year in which the facility was completed and paid additional rentals of $10,007 in calendar year 1964. For the Cincinnati facility, POD received substantial refunds from the lessor for calendar years 1963 and 1964; however, our review disclosed that the tax assessments for these years were based solely on land value without consideration of the value of the building.

Mr. RANDOLPH. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. RANDOLPH. In 1954, I was not a Member of this body. This afternoon, I have learned—although I have not checked the rollcalls on this subject—that the very able Senators from Delaware and Oregon opposed the legislation.

Let me say for the record that in bringing the proposed legislation before the Senate, we were attempting to tighten the procedures which the Senator from Delaware has now brought to our attention.

We were asking that a prospectus be submitted to the Committee on Public Works so that we could have the opportunity to review the matters which have been discussed and the cases which the Senator from Delaware has mentioned this afternoon.

If my memory serves me correctly, and I am not politically motivated in this statement whatsoever, Postmaster General Arthur Summerfield was the originator of the plan.

Mr. WILLIAMS of Delaware. That is correct.

Mr. RANDOLPH. That program has been in effect for 11 or 12 years, as I recall. That is why I shall ask unanimous consent, rather than someone else, that this bill be returned to the committee. We were thinking, let me say to the Senator from Delaware, that in our proposal as brought here we would have the prospectus for those lease construction projects for buildings exceeding 10,000 square feet. This prospectus procedure would make it possible for the committee to review the proposed project before a contract could be executed by the Post Office Department.

Certainly, I do not desire that there be in the procedures followed in this program anything that will not give to the American people that to which they are entitled—that is, a commendable job which is done with the dollars which are programed for the leases. Personally, I am very glad to have such a discussion on the Senate floor. I think that our committee will be helped by what has taken place today. I know there is no implied criticism in what the Senator from Delaware has said about the legislation now before the Senate.

Mr. WILLIAMS of Delaware. None at all.

Mr. RANDOLPH. Certainly we want to do exactly what he intends to have us do, and what I think all of us want to do—that is, to be able to know more about the functioning of the program during this period of years.

Mr. MORSE. Mr. President, will the Senator from West Virginia yield?

Mr. RANDOLPH. I yield.

Mr. MORSE. The statements now being made by the Senator from West Virginia are typical of him. They show his complete fairness in handling legislation, when he states that as the Senator in charge of the bill he will have it recommitted until we can get all the facts. I expect that from the Senator from West Virginia. He certainly does not propose to support a procedure which can result in the kind of waste which the Senator from Delaware is alleging this afternoon.

However, I am afraid that this waste is possible under the arrangement which was entered into in 1954. I well remember the debate at that time, when the Senator from Delaware and I sought to put some brakes on the program and forewarned about the very points which the Senator from Delaware is now making.

Mr. President, I shall not take more time. However, overnight I shall review the debate in 1954. I had not thought about it for a long time until I walked into the Chamber and heard the Senator from Delaware, and then the 1954 debate started to come back to me as though it had happened only yesterday.

Therefore, tomorrow I shall ask to have printed in the RECORD some excerpts from that debate which I think should be in the RECORD for the consideration of the committee when the bill goes back to it by way of recommittal.

All I want to say to my good friend the Senator from West Virginia at this time is that the argument at the time held that this kind of legislation would permit local tax collections, because the buildings would be subject to taxes. I thought at the time that was a fallacious argument. But Congress went along with the proposal, which was a device for subsidizing out of the taxpayers' pockets local contract companies and local real estate firms, for what I feared would be double profit taking. They took a profit first on the very generous lease arrangements that would be entered into, as the Senator from Delaware has pointed out is the case; and then a second, nice, fat profit when the Government exercised its option years later to purchase the buildings, after they had deteriorated to a considerable extent, and take them off the hands of the owners and let the taxpayers take the loss.

I thought the whole arrangement was bad. I am glad that the Senator from Delaware has brought us up to date in regard to our experience under an arrangement which, in my judgment, should not have been approved in the first place.

Mr. WILLIAMS of Delaware. Let me reply to the Senator from West Virginia.

First, I do not want anything I have said here today to be considered in any way as a criticism of the Senator from West Virginia.

It is my understanding that the information which was made available to the committee did not include the projects which I am discussing. I, too, did not have all this information before.

I objected to this legislation when passed in 1954, but I shall be frank—based on this record—I was not as concerned in my opposition as I should have been. I did not foresee any such results as this, although I was skeptical at the time. The Senator from Oregon could not be more right with respect to any cause he has ever espoused when he states that this problem has gotten out of hand.

The results of this program bear out his arguments of 12 years ago.

What disturbs me is that on July 6 of this year I asked for a list of all the building projects which had been approved under this lease-purchase arrangement over the past 10 years and which had cost over $250,000. On July 25, 1966, I received a report from the Postmaster General, which I have already placed in the RECORD, which said that only five buildings had been constructed and that only one had cost in excess of $250,000. Yet I have before me a list of 40-some projects constructed under this program.

What disturbs me is that I was given this erroneous information.

Why?

None of these projects I have been discussing were even mentioned. I understand that the committee was not furnished the information either.

I want to compliment the chairman of the committee and Senator in charge of the bill on his fairness in recognizing that additional information is essential and agreeing to take it back to the committee. Let us determine to what extent this authority has been abused. Surely we should examine all these projects from the inception of the program in 1954. Let us examine them thoroughly and see just what has happened and what the cost will be to the Government.

That is what the committee agrees to do, and I appreciate its cooperation.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. FONG. After listening to the statement presented by the Senator from Delaware, one would surmise that there is a tremendous windfall to the property owners. The Senator states that it would cost $15.8 million and that the Post Office Department would pay an annual rental of $1.8 million. If we were to divide $1.8 million by $15.8 million, we would arrive at a percentage of approximately 11. That is what the businessman is receiving—11 percent of the $15.8 million.

This, it must be remembered, is a one-purpose building. When we figure the total cost of the rental, it sounds stupendous. When one calculates the annual rental that the Government would pay on a building that cost $15.8 million, he arrives at a figure of $1.8 million. If the Government were to rent it for 30 years, it would pay $54 million for the rental of a building which cost $15.8 million.

Yet when we look at it from the standpoint of a businessman—and I am a businessman—I would hesitate to put my own money in a building of this kind which returned a gross of only 11 percent. That is all a businessman would receive. Out of that gross figure of 11 percent, he would have to subtract income taxes, real property taxes, maintenance costs, depreciation, and the cost of money. While we are talking about real property taxes, I remind Senators that the real property tax is a big item. In my State, for example, from every dollar received, a businessman is required to pay 4 percent. So that constitutes a large cost. In addition, there is depreciation. In a building of this kind, we must consider depreciation as an average of 3 percent per year, because the building has a life expectancy of 30 years.

When we consider that this is only a one-purpose building, and if that business closed or the post office did not lease it again, the owner would have a difficult time trying to get someone to use the

building, or would have to alter it at considerable expense. For a return of only 11 percent gross profit, it is difficult to get people to enter into lease arrangements of this kind.

When we talk about leasing a building that cost $15.8 million, from which there is collected a total rental of $54 million over a period of 30 years, someone may ask, "Isn't that a tremendous windfall, getting $54 million for a building that cost only $15.8 million?"

But when we consider the cost of money, which at this time is 6½ to 7 percent, and if we assume that the cost of money is 7 percent, and depreciation is 3 percent, there is a 10-percent gross cost. This amount comes from the 11 percent.

The option to purchase is placed in the contract in the event the Government should desire to buy the building, after the land value has increased to an attractive level. However, the option price is a figure which is picked out of the air, and is not a realistic price at all. It is put in the contract only to enable the Government to exercise the option if the Government decides to buy the land at the end of 30 years.

I say to my colleague from Delaware that the rental figure may appear to be a tremendous advantage to the renter, but when one analyzes the situation—and, as a member of the committee, I did just that—he realizes that it is not a windfall, but only a legitimate return on a building leased to the Government which cost $15.8 million to build. It costs at least 6 percent to borrow money. Then there is depreciation, which raises that cost to 8, 9, 10, or 11 percent. So this is not at all a large return to the businessman, as it might appear to be.

Mr. WILLIAMS of Delaware. I thank the Senator from Hawaii for his comments. I am sure Mr. McCloskey would appreciate them even more. I point out again that when the contract for the Detroit office building was bid off by McCloskey, there was included in it the obligation on his part to pay all expenses for the maintenance of the building, but after the contract had been awarded and just a month or so before the building was completed the terms of the contract were changed. The change provided that the Government was to assume all of the expenses of maintenance and repairs. The Comptroller General says that this change in the contract will cost the Government $2.8 million more over a period of 30 years than it would have if the contract had not been changed. Why was this change made, and who is responsible? I also have been in business, and I can state most emphatically that that is not the way we did business in Delaware, and I doubt if much of it was done that way in Hawaii.

In business if we had a firm contract and it included a provision that the owner would assume the expenses of maintenance it would remain that way and would not be subject to a change of a character which would cost $2.8 million more than the original contract. What I want to know is—who is responsible for this gratuity to Mr. McCloskey?

The Senator from Hawaii pointed out that in order to adjust the 11 percent gross profit one has to consider the present 5- or 6-percent cost of money. I point out that this building was constructed in 1961 and money did not cost 5 or 6 percent at that time. Sure there have been increases in taxes since then, but I point out that in this instance there was an escalation clause that in case of a property tax increase, the Federal Government would assume the cost.

Likewise, the Government here was paying for all maintenance and repairs over this 30-year period.

All is true that this is a one-purpose building. That was one of the arguments made against this program in the first place. The Government knows that at the end of 30 years it will need a post office building in Detroit, for example, and I agree that no private party is in a position to know that. That is why it is always cheaper for the Government to do its own building. In this particular instance the contract was changed after it was awarded whereby it will cost the Government nearly $3 million more than necessary. Why?

Earlier I cited four projects in which the Comptroller General stated the cost to the Government over the life of the lease was $62 million more than it would have been if the Government had constructed those buildings itself.

Why does not the Government save that $62 million? That is the point I am making. Why should the Government engage in any such type of operation? It is not sound business. Nevertheless that is the program, and I think that the Senator from West Virginia was right when he said he would take the bill back to his committee and study all of these Comptroller General reports. Let us determine how the system has been operating heretofore. Let the committee determine just what these projects cost and what the Government is paying for them in rent.

Once we have those answers, I think we shall agree that the program should be abandoned. This is not a profitable arrangement for the U.S. Government. I read again the Comptroller General's statement on just four projects. These are not merely figures thrown out by some Senator. The projects referred to are in Toledo, Cincinnati, Harrisburg, and Detroit.

> We estimate that if the four facilities included in our review had been constructed for Government ownership, the total cost to the Government, including imputed interest, would have been about $62 million less over the basic 32 years of the leases.

The four projects included in that review were Toledo, Harrisburg, Cincinnati, and Detroit. If the Federal Government, on a Government-ownership basis could make such savings, surely we ought to save that money.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. FONG. I do not know for what reasons the Post Office Department changed the contract under which the lessor agreed to pay for the maintenance costs. I think the lessor was very foolish to have contracted to pay for the maintenance costs, because maintenance cost is one thing on which you can never put your finger—and every year that maintenance cost goes up.

I know that the average lease contains a provision in which the lessor does not take care of the maintenance cost, but it is the lessee that takes care of everything and always pays for everything.

But in Mr. McCloskey's case, he contracted to take care of maintenance. I do not know why the Post Office Department changed that. I think the committee should look into that, and see what was the reason for the Post Office Department changing the provisions of the contract, after the contract had been entered into.

We know that if the Government were to build and own the building, the Government would not have to pay any real property tax. We know the Federal Government would not have to pay any income tax. The Federal Government has other advantages which do not accrue to a private owner. Because the private owner has to pay these taxes, naturally he will have to have a higher return on his money than the Government.

I do not know on what basis or under what procedures the General Accounting Office arrived at the figure that the Government would save—$62 million—but I think the committee should get that report and study it, and see whether we would really save $62 million or not.

Mr. WILLIAMS of Delaware. Certainly the committee should. The Comptroller General has said we are losing $62 million by the contracts on just these four buildings. These are not my figures. These are the results of the survey of the Comptroller General.

I discuss another project in Grand Rapids, Mich. This building cost $5,571,592, based upon the Comptroller General's computation. Under the contract, the Government has agreed to lease that building for 30 years and during that time is to pay an annual rent of $429,720, or a total of $12,891,600 in rent, and then has the option to purchase it for $3,750,000. If this building is purchased at the end of 10 years we will have paid $4,297,200 in rent and have an option to buy it for $6 million.

I ask unanimous consent that the Comptroller General's report on this project be printed at this point in the RECORD.

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

GRAND RAPIDS, MICH.

1. Lessor is Thomas D. McCloskey, as an individual, 1620 West Thomson Street, Philadelphia, Pennsylvania 19121.

2. a. (1) Résumé of bids is attached.

3. Agreement to Lease accepted January 18, 1961. Lease is dated August 21, 1962. Term is August 6, 1962 through August 5, 1992. Annual rent is $429,720.00 as originally bid.

RENEWAL OPTIONS

(a) 10 years at	$286,000
(b) 5 years at	240,000
(c) 5 years at	240,000
(d) 5 years at	223,000
(e) 5 years at	223,000

OPTIONS TO PURCHASE

(a) At end of 10th year of basic lease term	$6,000,000
(b) At end of 20th year of basic lease term	5,238,000
(c) At end of basic 30-year lease term	3,750,000
(d) At end of 1st renewal term	3,100,000
(e) At end of 2d renewal term	2,500,000
(f) At end of 3d renewal term	2,000,000
(g) At end of 4th renewal term	2,000,000
(h) At end of 5th renewal term	2,000,000

POST OFFICE—GRAND RAPIDS, MICHIGAN

Lessor: Thomas D. McCloskey
Effective date of lease: August 6, 1962
Basic lease term: 30 years
Annual rental: $429,720.00

An official of McCloskey and Company said that although the lease was executed in the name of Thomas D. McCloskey, actual ownership vested in the Grand Rapids Joint Venture, in which Thomas D. McCloskey has a 10 percent interest.

The following schedule shows the initial investment in the Grand Rapids Post Office and interest of the partners in the joint venture:

[Initial cash investment]

Name:	
Matthew H. McCloskey (35 percent of interest)	$3,500
Thomas D. McCloskey (10 percent of interest)	1,000
Matthew H. McCloskey, III (10 percent of interest)	1,000
Helen T. Carabasi (10 percent of interest)	1,000
A. V. Reimel (10 percent of interest)	1,000
William McCloskey (10 percent of interest)	1,000
Mary T. McHale (10 percent of interest)	1,000
William K. Stewart (5 percent of interest)	500

During 1961–1963, the joint venture for the Grand Rapids Post Office showed a current loss of $334,079 resulting primarily from interest on the mortgage and accelerated depreciation (double declining balance method). In addition, financing expenses during construction were considered as current expenses. The entire loss can be considered a "paper" loss since the annual rental adequately covers the mortgage payments and the first option to purchase which POD can exercise is at a figure in excess of total construction costs.

The following costs pertaining to the construction of the post office in Grand Rapids, Michigan, are recorded by Thomas D. McCloskey, lessor.

Construction of building (contract, Owen-Ames-Kimball Co.)	$4,587,500
Land excavation	200,200
Interest during construction	244,374
Real estate taxes during construction	6,498
Insurance during construction	9,435
Legal fees	5,809
Finance charges	25,000
Bond	41,700
Architect-engineer fees	152,100
Miscellaneous expenses	3,833
Land	295,143
Total cost of post office facility	[1] 5,571,592

[1] Excluding change orders in the amount of $129,001.

This facility was actually constructed by Owen-Ames-Kimball Company, Grand Rapids, Michigan. Owen-Ames-Kimball Company made a profit of approximately 150,000 on the job after application of overhead prorated on the basis of total sales.

Mr. WILLIAMS of Delaware. That was another building that Mr. Thomas McCloskey and his concern built.

I shall take the Senate's time to discuss just one more project. There are many more; altogether I have records on 40 such projects. The point that disturbs me is that I was not given this information when I asked for the figures on these projects. I asked for a report on all projects built over the last 10 years. There is no reason why I should have been given an erroneous report by the Department.

The project which I shall now discuss is a building in Buffalo, N.Y. This was another one built by the McCloskey interests. It cost $10,875,000, according to the Comptroller General's report. Over 30 years we will pay an annual rental of $958,479.76, or a total of $28,754,392.80, and we then have an option to buy it for $5,900,000 at the end of the 30 years. Or after paying $9,584,797.60, in rents during the first 10 years, we have an option to buy it for $11 mililon. I ask unanimous consent that this report, showing the date of the acceptance of the agreement as November 24, 1961, with the lease dated to run 30 years, the renewal options the options to purchase, together with the analysis furnished by the Comptroller General's office, be printed at this point in the RECORD.

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

BUFFALO, N.Y.

1. Lessor is Thomas D. McCloskey, as an individual, 1620 West Thompson Street, Philadelphia, Pennsylvania 19121.

2. a. (1) Résumé of bids is attached. Comptroller General ruled that bid of Overlook Properties, Inc. was erroneous and should be disregarded.

3. Agreement to Lease accepted November 24, 1961. Lease is dated October 20, 1993. Annual rent is $958,479.76, including amortized change order work.

RENEWAL OPTIONS

(a) First renewal option term—10 years at $560,000.00 per annum.

(b) Second renewal option term—5 years at $420,000.00 per annum.

(c) Third renewal option term—5 years at $373,000.00 per annum.

(d) Fourth renewal option term—5 years at $373,000.00 per annum.

(e) Fifth renewal option term—5 years at $373,000.00 per annum.

OPTIONS TO PURCHASE

(a) At the end of first 10 years of basic lease term, $11,000,000.

(b) At the end of first 20 years of basic lease term, $9,500,000.

(c) At end of basic 30-year lease term, $5,900,000.

(d) At end of 10-year renewal option term, $4,800,000.

(e) At end of first 5-year renewal option term, $4,500,000.

(f) At end of second 5-year renewal option term, $4,000,000.

(g) At end of third 5-year renewal option term, $4,000,000.

(h) At end of fourth 5-year renewal option term, $4,000,000.

POST OFFICE—BUFFALO, NEW YORK

Lessor: Thomas D. McCloskey
Effective date of lease: October 21, 1963
Basic lease term: 30 years, October 21, 1963 to October 20, 1993

Annual rental: $958,479.76—$79,873.21 a month

Break down of annual rental:

Basic rent	$932,000.00
Amortization of cost of change orders and test bore	26,479.76
Total	958,479.76

Post Office Department started paying rent on October 21, 1963.

Post Office Department pays for heat, custodial services, and utilities, during basic lease term and all renewal periods.

Lease requires the Post Office Department to keep the property in good repair and tenantable condition (Post Office Department responsible for maintenance). In the event of total or partial damage or destruction, caused by fire or other casualty or calamity, Act of God, act of the public enemy, or acts of a stranger, the repair or replacement of the building is the responsibility of the lessor.

Rent renewal options:	*Per year*
First renewal option term, 10 years	$560,000
Second renewal option term, 5 years	420,000
Third renewal option term, 5 years	373,000
Fourth renewal option term, 5 years	373,000
Fifth renewal option term, 5 years	373,000
Purchase options:	
At end of 10th year of basic lease term	11,000,000
At end of 20th year of basic lease term	9,500,000
At end of basic 30-year lease term	5,900,000
At end of 10-year renewal option term	4,800,000
At end of first 5-year renewal option term	4,500,000
At end of second 5-year renewal option term	4,000,000
At end of third 5-year renewal option term	4,000,000

Post Office Department must give 1-year notice of intent to purchase.

Formal advertising procedures were used to acquire leased space.

Invitations to bid were issued July 17, 1961.

Bid opening date—September 29, 1961.

Seven bids were received.

Low bidder—Thomas D. McCloskey—Bid $932,000, annual rental for 30 years with Government maintenance.

Second lowest bidder—J. P. Webster Corporation, Wood-Ridge, New Jersey—Bid $984,000, annual rental for 30 years with Government maintenance.

LAND

Post Office Department purchased 1,106,533 square feet from the New York Central Railroad Company for $553,266.50. Deed dated December 13, 1960.

Post Office Department sold the land to Thomas D. McCloskey for $576,267.81. Deed dated December 14, 1961.

Break-down of sale price:

Site cost	$553,266.50
Topo survey	3,370.00
Title insurance	1,472.50
pro rata share of taxes and rent	18,158.81
Total	576,267.81

No indication in contract files located in Washington, D.C., of the actual market value of the land at the time of transfer to McCloskey.

CONSTRUCTION COST

In September 1964, lessor's records show total construction cost of Buffalo facility as $10,375,000, including cost of land of about $576,000. (Source: Mr. William Stewart, Vice

President, McCloskey and Company). Construction cost not verified. Some additional construction cost will probably be incurred; Stewart estimates that additional cost will not exceed $500,000.

Post Office Department prepared an estimate of construction cost on November 8, 1961, which showed estimated cost of $10,158,652, not including cost of land.

Mortgagee, Sun Life Assurance Company of Canada, $11 million.

DATE OF OCCUPANCY

Main Post Office Building (excluding garage): The Postmaster was instructed to move into this building on October 21, 1963. The Postmaster initiated the move on October 28, 1963, and completed it on November 8, 1963.

Garage: Assistant Director for Realty Management, Department's Realty Division, said that Post Office Department began utilizing the garage in December 1963. This utilization consisted of installing automotive parts bins in the garage and the garaging of borrowed military vehicles used during the Christmas rush.

Records at the Buffalo Post Office indicated that the move into the garage was started January 15, 1964, and was completed January 19, 1964.

Buffalo Postmaster had no explanation for late occupancy of garage. Assistant Director for Realty Management, POD, stated that because the lease on the old garage did not expire until January 31, 1964, there was no need for a hurried occupancy of the new garage. The Assistant Director stated further that the move was carried out at a slower pace in order to have minimum interference with operations.

Contract files located in Washington, D.C., indicate that the garage was incomplete and not operable on October 21, 1963, the effective date of the lease and the date rent payments started.

CONVEYORS

Contractor: The Spra-Con Company, 3600 Elston Avenue, Chicago 18, Illinois.

Formal advertising procedures used to award contract.

Date of award: June 28, 1961.

Contract price:

Bulk conveyor belt system	$1,577,212
Parcel sorting machine	602,141
Total	2,179,353

As of April 14, 1964, change orders have resulted in reducing contract price to $2,165,734.00.

Original completion date: January 1, 1963.

In January 1963 the Department extended the completion date to January 1, 1964.

On March 19, 1963, all work on conveyor system was suspended by the Department. Reason: To insure that up-dated information can be incorporated in the project plans and that the most efficient operations will be achieved at this facility. Work suspension order for parcel sorting machine and associated equipment was rescinded by the Department on June 17, 1963. The work suspension order of March 19, 1963, is still in effect for the bulk conveyor belt system.

For contract work performed through September 3, 1964, the contractor has been paid $1,008,060.00.

Mr. WILLIAMS of Delaware. There is evidence, Mr. President, that the Department accepted this project and started paying rent on it before the project was fully completed. This, again, is something that is hard to understand, because with a rental of around $80,000 a month, surely the Government would not start paying it until it could gain complete occupancy.

Mr. President, I ask unanimous consent to have printed in the RECORD certain documents which show that notwithstanding the fact that this contract was signed and full payments were started on the lease under date of October 20, 1963, in the latter part of October they were still trying to get correction of defects in the construction.

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

POST OFFICE DEPARTMENT,
October 25, 1966.

To: P. H. Sandlin.
From: S. W. Cotten.
Subject: Buffalo Garage.

The following are my observations regarding the incomplete items in the Buffalo Garage as of my visit on October 21–22, 1963.

1. Concrete slabs dust excessively. The slabs should be sealed before occupancy.
2. Tailpipe exhaust ventilation system not operative.
3. Paint spray booth not operative.
4. Paint shop ventilation not operative.
5. Truck washer incomplete.
6. Several electric operated doors not operative.
7. Parts washer not installed.
8. Safety gauge missing from gasoline tanks. This work must be complete before the trucks move into the facility for regular day-to-day refueling.
9. Painting incomplete.
10. Insufficient oil in hydraulic lift reservoirs.
11. Water standing in front trench of at least one lift.
12. Holes burned in superstructure of front plunger of one lift. This is unsafe.
13. Rear plunger door covers need adjustment to close completely. If this is not done they will be broken.
14. Hammer in lift hydraulic lines.

S. W. COTTEN.

POST OFFICE DEPARTMENT,
October 30, 1963.

Subject: Buffalo Garage.
From: S. W. Cotten, B. L. Wildermuth.
To: Assistant Director for Construction Engineering.

On October 28, 1963 we visited the Buffalo Post Office Garage once again for a supposed final inspection. The following items which we do not consider to be minor punch list items were found to be defective:

1. Gasoline dispensing pumps will not operate.
2. Safety gauges are not installed.
3. Truck washer inoperable.
4. Air handling units will operate on "manual" but not on "automatic."
5. Floors dust excessively.
6. Two unit heaters inoperable.
7. Small paint spray booth inoperable.
8. Superstructure on top of front plunger of one lift has been modified and is unacceptable.
9. Tailpipe exhaust system hoses not furnished and installed.
10. Parts washer not furnished and installed.
11. Electric panel box covers off. No directories prepared or furnished.

Because of the above listed defects the building could not possibly be certified as acceptable for beneficial occupancy.

Attached is a photostat of a report from the New York Board of Fire Underwriters. We discussed the matter of the 50 HP motor with Mr. Huber at the site; and after listening to our explanation of the type of service and method of operation of this equipment, Mr. Huber indicated that he would reconsider with his boss and might reverse the decision to reject this motor. Mr. Frey, the electrical sub-contractor, said that he will have the other items corrected to Mr. Huber's satisfaction.

S. W. COTTEN,
BLAIR L. WILDERMUTH.

Mr. WILLIAMS of Delaware. There is the one other rather interesting note in the files of the Department concerning this Buffalo project. This was a project that I had mentioned to the Comptroller General's office after receiving the allegation that we had started paying full rent before it was fully completed. I have here a memorandum—which I ask unanimous consent to have printed in the RECORD at this point—signed by Patrick H. Sandlin.

This is a most interesting memo.

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

GAO INVESTIGATION

SEPTEMBER 17, 1964.

Chief, Project Construction Division.

Mr. MULLIN, Mr. FLEISCHBEIN, Mr. PHILLIPS: GAO is currently investigating projects in which you are involved. They are not to interview you or examine any files without prior approval of Mr. Harriman. If in doubt, see me. Notify me when you are contacted.

PATRICK H. SANDLIN.

Mr. WILLIAMS of Delaware. This memorandum says:

GAO is currently investigating projects in which you are involved. They are not to interview you or examine any files without prior approval of Mr. Harriman. If in doubt, see me. Notify me when you are contacted.

This is a rather strange interoffice memorandum to be put out by any department when the Comptroller General is examining its expenditures. Why all this precaution? What were they afraid that the General Accounting Office would find?

I talked with officials of the Comptroller General's office, and they were unable to get all the answers. This was rather strange, because I happen to have here some documents which show that this same man had been alerted to the fact that some of the Buffalo facilities were not fully completed at the time the rent payments were started. These letters are dated after the date when we started paying rent.

Mr. President, this information shows that they did take possession of this building and started paying the full rent before the garage facilities were fully completed.

Such things are not done in private industry, and I should like to know why it was done in this instance. Who made this decision, and who instructed these employees that when the Comptroller General's office comes around, you check with me before you talk to them, check with me or clear with me as to every inquiry? The Comptroller General is entitled to have access to all of the information with no restrictions whatever. No agency has a right to withhold information from that agency.

In concluding, let me again thank the committee for calling this bill back for further examination.

Just as a summary, on four of these projects—the Grand Rapids, Buffalo,

Harrisburg, and Detroit projects—the record shows that the total cost of these projects was $37,530,242. Under the 30-year leasing contracts—and these are all McCloskey contracts—the Federal Government underwrites all the expenses of maintenance, repairs and upkeep of the property to keep it in a tenantable shape.

Over a 30-year life of the contract the cost for rent would be $114,630,979.20. At the end of the 30-year period the Government has an option to buy those four buildings for $24,906,000, or about $12 million less than they cost to construct. This purchase would be after it had paid $114,600,000 for rent, and after it had paid for all of the repairs and maintenance on the property. In addition, the McCloskey contracts carry an escalation clause protecting them against any increase in the cost of property taxes during next 30 years. Surely a thorough examination should be made of all these lease-purchase contracts.

Mr. RANDOLPH. Mr. President, I am sure the Senator means to say lease-construction, rather than lease-purchase.

Mr. WILLIAMS of Delaware. I mean all buildings constructed under a lease arrangement with an option to purchase.

Mr. RANDOLPH. The Senator is correct.

Mr. WILLIAMS of Delaware. Constructed under a contract by which the Federal Government would lease them for 30 years with an option to purchase at the end of 30 years, or where they might have a leasing arrangement and an option to purchase at the end of 10 or 20 years.

Mr. RANDOLPH. The Senator from Delaware asks a question that all of us want to have answered. A program of this kind costs money. There is some difference of opinion as to the cost of the arrangement.

I imagine that we would want to know what it would have cost the Federal Government in direct appropriations to have constructed these buildings. That is a matter that should be checked into.

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. RANDOLPH. It might involve several billions of dollars.

Mr. WILLIAMS of Delaware. In addition we would have to take into consideration the interest charges that the Federal Government would pay on this money. All these factors must be taken into consideration to evaluate this program.

The Comptroller General surveyed only four offices. As I stated earlier, his survey showed that there could be a savings of $62 million over the 30 years. That was his survey; it was not my survey. I think that all of this program should be reexamined.

I thank the chairman of the committee for agreeing to take this bill back to the committee for further examination.

I concur wholeheartedly in that arrangement.

Mr. RANDOLPH. Mr. President, the senior Senator from Delaware [Mr. WILLIAMS], the senior Senator from Oregon [Mr. MORSE], and, I believe, the senior Senator from Tennessee [Mr. GORE] opposed this measure in 1954.

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

Mr. RANDOLPH. I yield.

Mr. GORE. Mr. President, I certainly did oppose the matter in 1954 because, in my view, it was clearly in the public interest and in the interest of economy for the Government to construct its own buildings rather than to enter into such profit-laden contracts and be subjected to so many political machinations, as has been stated this afternoon by the distinguished senior Senator from Delaware.

Mr. RANDOLPH. Mr. President, I thank the senior Senator from Tennessee [Mr. GORE], the senior Senator from Oregon [Mr. MORSE] and the senior Senator from Delaware [Mr. WILLIAMS] for the discussion in which we have engaged this afternoon concerning a procedure which I think will be beneficial to the Senate.

I also express my appreciation to the Senator from Hawaii [Mr. FONG], who helped in the discussion concerning this problem. The Senator from Hawaii is a businessman. He feels that the committee has a responsibility to check on certain of these projects which were mentioned by the senior Senator from Delaware.

Mr. President, I now ask unanimous consent that the pending bill, H.R. 14548, be recommitted to the Committee on Public Works.

The PRESIDING OFFICER. Is there objection? The Chair hears none and it is so ordered.

AMENDMENT TO THE PEACE CORPS ACT, AS AMENDED

Mr. RANDOLPH. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1451, S. 3418. I do this so that the bill will become the pending business.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 3418) to amend further the Peace Corps, as amended, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Foreign Relations, with an amendment.

HIGH INTEREST RATES AND TIGHT MONEY

Mr. GORE. Mr. President, I have been at home in Tennessee and talked with many people. They are disturbed about high interest rates and tight money.

During the past several days, I have discussed various ways in which the current, inexcusably high interest rates have distorted and continued to distort the economy. President Johnson has not yet acted positively to marshal the forces of the Government to drive interest rates down to a workable level. I hope he will do so. He has not used, nor has he made concrete and correct recommendations to Congress to assist him in using fiscal policy actively in the fight against inflation. Instead, one administration official after another has taken positions and actions that have encouraged the upward spiral of interest rates.

In the absence of positive action by the President to the contrary, the Federal Reserve Board has acted, but, in my view, wrongly. Interest rates have been driven up by the Federal Reserve actions—actions which do not accomplish their ostensible anti-inflationary purpose. Furthermore, tight money has been used as an excuse by the moneylenders to push rates even higher.

I talked last Saturday with a gentleman who is on the board of directors of a bank. This gentleman lives in Florida. He said that, on the day after the New York banks had increased the prime interest rate, a meeting of the board of directors of his bank was called. Someone promptly made a motion that the bank increase its interest rates.

He said that he inquired why. The man who had made the motion said that the New York banks had increased their prime rate.

The first man inquired: "How do you know it?"

The man who made the motion said: "I read it in the newspaper."

The man who made the inquiry then said: "How does that affect us? Why should most of our customers pay more because the New York banks have increased their prime rate?"

Mr. President, I sadly relate that the man said he was in the minority. Thus, when the bellwether moves across the country, it is "follow the leader."

When the New York banks increased their prime rate, that did not mean they had more money to lend.

That did not mean there would be any less need for credit. It merely meant that those who borrowed would have to pay more. Thus it was with the small bank in Florida. The action of the New York banks did not increase the demand of the customers of this Florida bank. It did not make any more money available, nor did it lessen the amount of money available for that bank to loan. But the bank moved to make its customers pay more. Why? The only reason given: The New York banks have increased the prime rate.

I have invited the attention of Senators to certain distortions which have been brought about in personal income. I have pointed out the fact that interest income has gone up sharply and that, for this and other reasons, those who have accumulated wealth have profited, while those who are dependent on wages and salaries have borne the brunt of inflation to date.

Today I should like to invite attention to the behavior of interest payments as one of the components of personal income disposition. The cost to consumers of high interest rates can be shown rather clearly by examining the behavior of interest paid by consumers.

In 1960, consumers paid $7.3 billion in interest. This was high enough. But

for the year 1965, this figure had risen to $11.1 billion. And so sharply have interest rates risen this year, that, for the second quarter of 1966, consumers' interest payments were running at an annual rate of $12.5 billion.

This, Mr. President, is out of the workingman's pocket, from the man who must buy an automobile on the installment plan to go to work, from young wives who must buy washing machines and household equipment and furnishings on time. This is a rather startling 71-percent increase in what consumers qua consumers are paying in interest now as against what they were paying in 1960.

Of course, consumers also carry their share of interest on the national debt and on other indebtedness they do not personally contract. But I am speaking now of that item in governmental statistics know as "Interest paid by consumers."

Mr. President, consumers have a right to look to their Government for protection from interest gouging. The Federal Government has power over money and credit, and that power ought to be used for the benefit of all the people. To do what needs to be done to restore balance to the economy will call for some hard decisions, and it will call for firm action in many respects.

Let us acknowledge, Mr. President, that this is an election year, and some people have felt that it would be politically dangerous to act positively to control inflation in an election year. But let me suggest that it may be dangerous to put off action until next year, dangerous to the national economy, dangerous to the interest of all the people. Moreover, whatever action is undertaken next year may well need to be more drastic than the steps which we could effectively take now. Indeed, if we had acted wisely early this year, rather mild medicine may have sufficed. The longer we wait, the worse the situation will become.

As for politics, unless I misread the signs, high interest rates and the high cost of living may well be vying for first place in the minds of the voters when they go to the polls in November.

Let me suggest to my fellow Democrats that it may well be smart politics, as well as sound economics and statesmanship, to move to lower interest rates now. Where is there a Democrat who will go before the people and proudly admit that Johnson interest rates are now higher than Hoover interest rates? We should not have to defend such a record. Let us correct that record.

Of course, one cannot separate politics and economics, for, as I have said, the Federal Government has power over both money and credit. Economics, once generally known as political economy, is indeed highly political. The hand of government, whether it be the hand of Esau or the hand of Jacob, is very much in evidence in economic decisions; and those decisions ought to be taken in the interest of all the people. That is politics in its noblest sense.

The Democratic Party traditionally has supported the viewpoint and well-being of the majority of the people. Democrats have proudly called it the people's party. It would appear that this has been forgotten in recent efforts to woo the bigwigs. I hope that our party will be returned to its traditions—to the people—before irreparable harm is done to the economy.

I have made these political references because I hear so many political excuses. The public interest must be paramount. I urge action.

(At this point Mr. TYDINGS assumed the chair as Presiding Officer.)

Mr. LONG of Louisiana. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. Mr. President, the Senator is quite correct, in my judgment, in saying that the level of interest rates at this time is not justified, in that interest rates are unduly harsh in their effect on the rank and file of Americans, the people who are working for a living and those who are living on fixed incomes.

When this whole spiral started in December of last year, I felt, as did the Senator from Tennessee, that what the Federal Reserve Board had done was the beginning of a move that would impose very high interest costs on the people of this country.

If measures are needed to restrain an economy from becoming overheated, other measures can be suggested and recommended. In my judgment, this administration will be forced to move in that direction sooner or later.

Mr. GORE. I agree with the Senator. And does not the Senator think that the sooner that is done the better?

Mr. LONG of Louisiana. Yes, I think so.

According to today's press, Secretary Wirtz is strongly critical of high interest rates. Secretary Fowler made a statement a short time ago, which was published at least in part across the country, in which he indicated that he is not happy with the high interest rates.

Mr. GORE. I am glad that he is not happy, because he is one of the men who has brought them about. Maybe his unhappiness is the first real sign we see that President Johnson is not happy, either, and President Johnson is the man who must move.

I agree with the Senator that we can anticipate some action. That is why I am pressing, and I shall continue to press until we get some action.

Mr. LONG of Louisiana. I applaud the efforts of the Senator to bring the interest rates down. In my humble way, I have attempted to make some contribution to those efforts.

In my judgment, this administration as well as Congress should be looking for the alternatives available, in an effort to maintain some economic restraint in a way that will not punish the working people and the poor of this Nation the most.

There are other ways we could go about meeting this problem. There are a number of things that we voted before to stimulate the economy and encourage business to make large investments. When those measures were considered along with the desire to speed up and stimulate the economy at the time, they made good sense. There is a severe question whether they make that much sense now.

As between measures and devices that could be used, it seems to me that we would do better to suspend or withhold some measures that have been advanced to encourage large expenditures and investments rather than pursue a combination of measures which fall so heavily upon the working people.

With me on the same airplane in which I came to Washington today was a man who has a responsible job. He is a Government employee. He stated he had been transferred from the Washington area to the Louisiana area. He would like to sell his home in this area and buy there, but he cannot because of the tremendous penalty he has to pay on the financing of that transaction. This man felt compelled to make the decision that he could not sell that home. He would have to keep it although he is now assigned to the Louisiana area on a permanent basis.

He referred to the discount in a fashion that I guess people not in the banking business tend to refer to it. He called it penalty points. One has to pay so many penalty points to borrow on any basis at all.

He said that some time ago, if one wanted to sell a home, and somebody could be found to finance it, one had to be paid 5½ penalty points, which means 5½ percent discount. He said that now the penalty is about 8 points.

The Senator knows that that is a great price to pay. In effect, he is losing 8 percent of the value of that transaction to sell that home to somebody else, not because the home has gone down in value, but because of the high interest cost and the discount that a person has to pay for the benefit of the lender who is rendering no service beyond what he was rendering some years ago when interest was lower.

Mr. GORE. That statement almost parallels what was related to me by a home buyer who came to me with his problems last Saturday in Tennessee. He said he had never had so many prospective customers, so many customers wanting to buy a decent home, and he had several homes constructed and ready for sale. But he said, "I have not sold one in 90 days." After telling of his woes he concluded his story by saying, "I am out."

When he is out, so are his carpenters, so are his bricklayers, so are his electricians, and so are his plumbers; and the small businessman who is furnishing those supplies is out of business.

But most important of all, the young husbands and wives are without the availability of credit with which to buy a home in which to raise their children.

He spoke of discounting. He said the discount points had increased by approximately one point per month this year, and that discounts have risen so high that people simply cannot get credit; at least, he had not been able to sell a house in 90 days.

I wonder if the Senator does not think something is wrong when Congress passes a law providing for the guarantee-

ing of home loans for GI's, when we hold out a promise that a man who served his country can receive some special consideration when he returns from the service to his family and seeks to buy a decent place to live, and then we have the whole program subverted and nullified by discounts and points under the table.

Mr. LONG of Louisiana. Yes. I think it is wrong, just as I am sure that the Senator from Tennessee thinks it is wrong. That is why he is asking the question. We should have some kind of Federal followthrough in our Government to see that the money is available and at a fair rate of interest in order to help the veteran buy a home. In my judgment, the Senator is correct. We do have that obligation.

As I see it, I believe we are going to have to insist on a sharing of the burden of carrying on this struggle against inflationary pressures, which in some cases were not created as much by the war as by laws we passed to stimulate business. These things will have to be considered on the basis of trying to have some reasonable sharing of the burdens of the war, rather than on insisting that it be done in terms and programs that take from those who need it badly, to greatly increase the incomes of those already well to do.

I have no objection to businessmen, bankers, or any group making large amounts of money, and I do not object to making a good profit on a reasonable basis. But the Senator knows if the Government does not use its power in this monetary field, if this is permitted to be run the way the large moneylenders would have it, the price that the rank and file will pay will be very great.

I applaud the Senator for speaking out in connection with this matter. It may be that if we are to move in this field we will need more than a reduction in interest rates, but I hope that any policies or programs that we undertake will not be of a kind wherein we intend to reduce the inflationary pressure in one field or another and neglect to do what should be done to bring interest rates down to a fair and reasonable level.

Mr. GORE. I thank the Senator. He is very encouraging, indeed. I wish to say to the Senator that I have cited facts which are critical. I have done this purposely, in order to obtain Presidential leadership in this field, for without his leadership I do not think we can win the battle.

I wish to say to the assistant Democratic leader that when fair and effective action is desired, President Johnson will find me seeking to help, but he must move in the national interest. I shall seek to help, exercising at all times the responsibility, and reserving the right, to seek to improve on programs and recommendations in the interest of equity.

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

Mr. GORE. I yield.

Mr. MORSE. I share the position of the Senator from Tennessee on the interest rate problem, not only on this occasion, but every time in the past when the Senator from Tennessee has exercised leadership in this field.

I have one or two questions to ask the Senator to help clarify my thinking in the matter.

As I recall, there was an article this morning in the Washington Post; perhaps it had been elsewhere in today's press. The article stated that in the city of Washington the high interest rates are resulting in not making money available for mortgages, not because there is not the money, but because the people are not going to pay the high interest rates. Such rates are bound to have an effect upon the whole building program. Coming from a State which produces great quantities of lumber, let me say—as I did some days ago in a speech on the floor of the Senate—that in Oregon, shifts of men are being laid off in various lumbermills. This is particularly true in the plywood mills, but the situation is not limited to plywood mills. One of the reasons for the slump in the lumber market, as given to me by our lumber producers, is the increase in the interest rate. People are not going to build homes and undertake mortgages because they cannot meet the monthly payments and pay the interest rates, because it is not profitable for them to do so. They cannot sell their homes because people will not pay the interest rates.

There is one argument used by a banker which I should like the Senator from Tennessee to answer for me. I have my own views in regard to it, of course. It is argued that the increase in the interest rates on the part of bankers is a part of a voluntary, cooperative program to check inflation.

Would the Senator from Tennessee give me his views as to what cause-to-effect relationship, if any, increasing the interest rates has on inflation control?

Mr. GORE. It is both a spur to inflation and a brake on investments. Unquestionably, it has an effect in both directions. For instance, if a couple is unable to meet the monthly payments in order to buy a home because of the interest rates, that means that they simply cannot buy that home. That will curtail homebuilding, and that is deflationary to that industry. One can find that going on in every town and city in America today.

On the other hand, those who can skimp and meet the monthly payment have their cost of living increased. Therefore, to them, it is inflationary.

Let me cite the example of an automobile dealer who brought this problem to me over the weekend. He told me that the interest rate on the floor plan of the GMC for financing automobiles in display rooms had been increased. He told me that this increase had been so significant, it severely cut into his profits and he was having to increase the price of the automobiles he sold.

Let me ask the Senator, in response to his question: Is an action of the Government which increases the price of automobiles to the people who buy them in order to go to work, inflationary or deflationary?

Mr. MORSE. Obviously, it is inflationary.

If the Senator will permit me to supplement what he has said about the effect of the increase in interest rates, so far as the homeowner is concerned, or the couple he mentioned who prospectively plan to build a home but do not build it, as interest rates are increased, a slump is produced in the lumber market, a slump in the building supply market, and a slump in the purchase of homes. Therefore, would not the Senator from Tennessee agree with me that that will inevitably result in an increase in rentals all across the country?

Because the people will not be able to buy a home, and we will not have the new homes necessary to house the people that have present structures, this will increase rents, which will feed the inflationary spiral.

Mr. GORE. The higher the rents go, the harder the people will feel the pinch. The examples we have cited illustrate the upward push and the downward drag. What it means, it seems to me, is that when we depend upon interest rates alone to fight inflation during a war, we bring on dislocations and unfair distortions of the economy. The end result is that as the working people see the relatively few who have accumulated wealth—without being critical of them in doing so—reaping still more rich rewards out of the war and the pressures of war, how can the President, how can Congress, how can the country expect the workingmen and women of this country to remain supine and not ask for increases in their wages, even though that has an inflationary effect as well?

Mr. MORSE. If the Senator will permit me one more comment, he made the remark as to what he thought were the political implications of the problem. Speaking only for myself, if we do not do something about this problem before election, the people will make their attitudes known on election day.

I would have my President remember that cheering crowds—such as he met on his weekend trip—in various sections of the country bear little relationship to what people who are suffering from the failure of the administration to meet the inflationary threat will do when they step into the secrecy of the voting booth.

Mr. LONG of Louisiana. Mr. President, will the Senator from Tennessee yield?

Mr. GORE. I yield.

Mr. LONG of Louisiana. The Senators are discussing the question of inflation and its relation to interest rates. In some respects higher costs do tend to discourage people from buying goods and services. If they must borrow money at high interest rates, then, to some extent, at least, that might tend to reduce the pressures for buying goods. But, on the other hand, in a great many cases costs have been raised, as Senators know.

For instance, we have heard criticism of the farmer—that his farm prices went up by about 3 percent. Interest rates that he paid were up about 30 percent. Interest is 10 percent of the farm cost, on the average; thus, if we multiply the 30 percent by the 10, we come up with a 3-percent factor. That is enough to amount to the 3-percent increase in farm production cost, when the farmer has to pay the 30-percent increase in the cost of the money he had to borrow to carry

himself along until he can buy his equipment and other material necessary to operate the farm. It would be unfair to be critical of a farmer who raised his prices by 3 percent when his costs went up by 3 percent.

Mr. GORE. I am not criticizing the farmer.

Mr. LONG of Louisiana. In contrast, the man who lends the money has raised his prices by 30 percent or more. That is a part of the real problem.

Much of the money is finding its way away from the farmers, away from the working man, away from wage earners and their families, into banks and money lenders who in turn are plowing it into large plants and equipment. We need plants and equipment, but there is a question in my mind as to whether we need them as rapidly as the present trend seems to indicate. The overall national effort is going strongly in the direction of automating and into new plants that are not necessarily needed for our war effort, into plants which, while highly desirable, could be postponed for a time.

There is a question whether, as a matter of priorities, we ought to be asking people to do without homes while we go strongly providing incentives to invest in the other field.

So far as costs are concerned, the farm is one place where, if the farmer's costs go up, he must raise his prices or take a loss.

Mr. GORE. I thank the Senator. He encourages me and gives me hope that there will be action and leadership in trying to achieve this objective.

CRIME IN THE DISTRICT OF COLUMBIA

Mr. BYRD of West Virginia. Mr. President, during July 1966, a total of 3,628 part I offenses were reported in the District of Columbia. This represented an increase of 27.6 percent over July 1965. Clearances for the 12-month period ending with July 1966 were down to 27.2 percent as compared with 36 percent in July a year ago.

I ask unanimous consent to insert in the RECORD the Metropolitan Police Department's July 1966 report on crime in the District of Columbia.

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

CRIME IN THE DISTRICT OF COLUMBIA, JULY 1966

During July 1966, a total of 3,628 Part I Offenses were reported in the District, an increase of 784 offenses or 27.6 percent from July 1965.

During this month increases occurred in the classifications of Criminal Homicide, up 4 offenses or 40.0 percent; Robbery, up 74 offenses or 23.2 percent; Aggravated Assault, up 59 offenses or 22.2 percent; Housebreaking, up 202 offfenses or 28.6 percent; Grand Larceny, up 43 offenses or 30.9 percent; Petit Larceny, up 270 offenses or 30.8 percent; Auto Theft, up 132 offenses or 25.7 percent. The classification of Rape, with 14 offenses being reported, showed no change.

The increase for this month brought the trend of serious offenses (total offenses for the past 12 months) to 36,006, an increase of 2,997 offenses or 9.1 percent from the trend of July 1965, and an increase of 127.9 percent from the low point of June 1957.

Clearance of Part I Offenses for the twelve month period ending with July 1966 were down to 27.2 percent as compared with 36.0 for July 1965.

AFTER VIETNAM

Mr. BYRD of West Virginia. Mr. President, the August 21 edition of Parade, a Sunday newspaper supplement, carried an article by Jack Anderson, "After Vietnam—What?"

In it, my distinguished colleague from West Virginia, Senator JENNINGS RANDOLPH, chairman of the Public Works Committee, expressed encouraging views as to what the future can hold for our Nation through public works programs under a peacetime economy. From his vantage point as chairman of this vital Senate committee, he is in a position to be well informed as to the value of such programs and to direct the course of public works planning. I am pleased to hear of these proposals, and, as a member of the Senate Appropriations Committee, I shall welcome the opportunity, when it presents itself, to take constructive action on such programs.

I ask unanimous consent that the Parade article be printed in the RECORD at this point.

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

[From Parade, Aug. 21, 1966]

AFTER VIETNAM—WHAT?

(By Jack Anderson)

WASHINGTON, D.C.—President Lyndon B. Johnson, studying a top-secret intelligence summary prepared in news capsule form for easy reading, stroked his chin with satisfaction. The digest reported that the Viet Cong had been hounded out of their hideouts by American search-and-destroy missions and B-52 raids. Left behind in the overrun sanctuaries had been literally tons of desperately needed food, arms and medical supplies. The black-pajamaed guerrilla fighters, specialists in ambush, were becoming the ambushed. Their morale had been rubbed raw by constant harassment. Their losses both in casualties and defections had been so severe that the Viet Cong had been forced to conscript 15-year-olds from the villages. The President looked up from his reading. "The war," he told an aide, "should be over in 1967."

UNMIXED BLESSING?

All Americans pray, of course, that the President's prediction comes true. But there is unspoken apprehension that the end of hostilities might not be an unmixed blessing. If the United States were suddenly plunged into peace, what would happen to our war-buoyed economy? A staggering $30 million a day now being poured into the Vietnam war would go begging. Hundreds of companies geared to war production would be disrupted. Thousands of youths now employed by the armed forces would be turned loose on the streets to hunt for civilian jobs.

It is no secret that our whole economy has been juiced up by the armaments industry. A cease-fire, according to the DMS, Inc., research firm, would affect 500 companies employing one million people in 33 states. Hardest hit would be the 300 ammunition makers, next the aircraft manufacturers. Each plant compelled to shut down would effect an entire community, including grocers, merchants and shoe salesmen.

Fully aware of the problem, President Johnson is preparing to shift from war to peacetime production with a minimum lurch. He believes the changeover can be accomplished without ending America's 68 months of healthy growth. Congressional leaders and presidential advisers alike, interviewed by Parade, agreed that defense production is not essential to prosperity. "There are too damn many wonderful things to be done," said one top planner.

Those privy to the President's thinking believe he will switch priority from fighting Communism in Vietnam to fighting poverty at home. At the first signs of economic sluggishness, he probably will cut taxes, then start diverting defense money into the Great Society.

Gardner Ackley, chairman of the President's Council of Economic Advisers, said recently, "If nothing were done to adjust nondefense government spending, there would be a big drop in demand. This would create unemployment and loss of income, which would lead to further drop in demand."

However, Ackley went on to say, "Something would be done, and quickly. I expect the first thing would be a tax reduction. . . . I would guess you'd get a combination of tax reduction and a stepping-up of some of the programs that have been slowed down in the past year."

Most White House advisers frankly are less interested in tax savings than in making the United States a better place to live.

"I am not quite sure what the advantage is in having a few more dollars to spend," said economist John Kenneth Galbraith, an unofficial presidential consultant, "if the air is too dirty to breathe, the water is too polluted to drink, commuters are losing out in the struggle to get in and out of the cities, the streets are filthy, the schools are so bad that the young wisely stay away and hoodlums roll citizens for the dollars they save in taxes." The cost of solving all these problems should take up any Vietnam slack.

The planners acknowledge that a cease-fire could cause some economic adjustment. The stock market, sensitive to the slightest change in the economy, almost certainly would go into a temporary skid. A few plants might not be able to find commercial contracts to keep their production lines rolling. Some displaced workers might have difficulty finding new jobs. Some youths who otherwise would have been drafted might also need to hustle to make a living. But this "transitional friction," as one economist foresees it, would be like shaking a glass of water. The movement might cause some ripples on the surface, but the water eventually would settle to the same level.

In addition, there are other factors which should soften the economic impact of a Vietnam peace:

The economy is less committed to the Vietnam war than it was, say, to the Korean War. The latter drove defense spending from 4 to 11 percent of the gross national product, as the grand total of all goods and services is called. The $10 to $15 billion extra Vietnam spending, however, should fall below 2 percent of this year's anticipated $727 billion G.N.P. Therefore, a cease-fire should cause considerably less economic dislocation than followed the Korean War.

A sudden truce would bring no massive demobilization. For one thing, only one-tenth of America's 3 million men under arms are fighting in Vietnam, and these would be moved out of that country only as fast as the peace could be policed. No matter what happens in Vietnam, most of them would be needed elsewhere to defend our commitments.

It would take six to nine months to shift the production lines from defense to civilian work. Military contracts would continue to

run if only to bring the war-depleted inventories back to normal levels.

Some civilian demand has built up, which would make up for some defense cutbacks. For example, the big aerospace companies, which now receive $3.50 out of every $10 of Vietnam spending, have a big backlog of civilian orders. Boeing alone has $3 billion in unfilled civilian orders.

The nation's chief emergency planner, Farris Bryant, a former Florida governor, constantly reviews war and peace needs. As the President's unofficial "ambassador" to the 50 state governors, he also is in close touch with the states. "There need be no fear today that peace would affect prosperity," he told PARADE flatly. He is confident that even the dozen states most dependent on defense contracts could maintain prosperity through tax cuts, highway extensions and public works programs.

Nobody on the policymaking level thinks the leaf-raking, make-work projects of the Great Depression days would be needed to stimulate the economy. There is enough authorization already on the books to keep the economy humming. Senator JENNINGS RANDOLPH (Democrat, of West Virginia), chairman of the Senate Public Works Committee, is ready to roll with $175 million worth of approved public buildings, post offices and water-control projects that have been held back by war priorities.

He also has a $300 billion dream for bettering and beautifying America over the next 25 years, if only the money can be spared from munitions. Here's how he would like to bolster the economy and give the nation a facelifting with the same appropriations:

RANDOLPH believes more billions must be authorized to combat water pollution. He claims it would cost $20 billion to clean up Lake Erie alone, could take $100 billion to lick the problem nationally. Far from considering this a makework proposal, one expert warns: "Water pollution is our number one problem. The United States can't even operate without clean water."

RANDOLPH would like to make our great Southwestern desert blossom like a Garden of Eden. This would take a $100 billion irrigation project that would harness 20 percent of the runoff waters from Alaska and northern Canada and pipe it to the Southwest. Power stations would also be built from the Columbia River on down.

THE OPTIMISTIC VIEW

He not only hopes to finish the Interstate Highway System by the 1972 deadline at a cost of about $20 billion, but he would like to build an additional 156,000 miles of scenic highways—at about $500,000 per mile—to make our rural and mountain areas more accessible to tourists.

He is eager to proceed with depressed area construction projects, at the cost of between $4 and $5 billion, to help eliminate pockets of poverty.

RANDOLPH came to Washington in 1933 and helped write the New Deal's public works legislation. He believes public support is building up for peacetime projects that will make this country a better place to live. His dream of a desert-watering program may take a while to sell to the public he acknowledges, but he believes a share of any money that may be diverted from defense will go into his programs. In any case, he is firmly convinced that "the U.S. does not face the tragedy of the Depression of the 30's."

What would happen to your pocketbook if peace should be declared in Vietnam? First, your taxes likely would be cut. The latest tax cut stimulated growth and actually brought in more revenue for the government from the increased income. The cut provided people with more pocket money, which increased their buying power. Accordingly, manufacturers geared up production, creating more jobs and putting more money into circulation.

Second, peace should bring easier credit. To forestall unemployment and unused capacity, the policymakers are expected to reduce lending rates, thus making money cheaper, and likewise, driving more of it into circulation.

Today's economists have proved that they can speed up or slow down the economy by tax and credit controls. Businessmen have come to depend on planned federal spending to promote prosperity. Whatever the political arguments may be, this is how President Johnson can be expected to try to head off a recession.

"We'll have the capacity, creativeness, resolve and resourcefulness to meet the problem," predicts Senator RANDOLPH optimistically.

TITLE 19 OF THE SOCIAL SECURITY AMENDMENTS ACT OF 1965

Mr. SALTONSTALL. Mr. President, in recent weeks a number of articles have appeared drawing attention to title 19 of the Social Security Amendments Act of 1965, pointing out that the program for which it makes provision seems to be developing far beyond what those who drafted it had anticipated. I, for one, have been amazed at its potential scope and cost. I do not believe that a single Member of Congress predicted what has happened. I am glad that the House Ways and Means Committee has been looking into the matter and will soon give us the benefit of its study and recommendations. Recently I had occasion to discuss the matter briefly with Chairman WILBUR MILLS, and I know that he shares the surprise and concern that many of us feel about title 19.

The Social Security Amendments Act of 1965 was referred to as the most sweeping piece of social welfare legislation ever to be enacted in this country, and sweeping it was. It is now clear that no one realized just how sweeping it really was, however. During consideration of the measure attention was concentrated primarily on two of its sections: First, the provision for a long overdue across-the-board 7-percent increase in social security benefits; and second, the establishment of medicare to help meet the health care requirements of 19 million Americans 65 years of age and older. There was little discussion of title 19, which certainly has proved to be the "sleeper" in the bill. I am certain that no one dreamed that within the next 5 years, "medicaid," as the program established by that title is called, could come to dwarf medicare.

Title 19 was designed to bring together under one uniform medical assistance program, with certain prescribed Federal standards, various Government public assistance medical programs such as Kerr-Mills, and the programs for the blind, disabled, and families with dependent children. Also to be covered were individuals who, except for having enough income to meet their daily needs would fall within the public assistance group, and all children under age 21 whose parents qualified under the State income limitations for the medicaid program even if they had not been receiving cash payments under the aid to dependent children program. In replacing Kerr-Mills, title 19 thus extended the basic Kerr-Mills principle beyond those persons in the over-65 category to include other public assistance groups. Of course, the Federal Government has been paying the principal share of support payments to the blind, disabled, and children in families where the father is unemployed or absent. It has not, however, made a major contribution to their medical costs.

An important consideration in establishing title 19 was the desire to provide an adequate medical program for needy persons which would be an improvement over Kerr-Mills and the other program to be included under medicaid. A major objective which was incorporated in title 19 was the substitution of a flexible income standard for the rigid means test, which in some States had caused great concern. Other improvements included specific provision for five basic medical care services; reimbursement to hospitals on a "reasonable cost" basis rather than under the existing standards, where they frequently lose money on public assistance recipients; elimination of relative responsibility and residency requirement; modification of lien provisions; and State administrative flexibility. These changes are helpful and desirable and contribute toward a more meaningful program which can do the job that needs to be done in a realistic way.

States implementing title 19 will have to provide five basic medical services by July 1, 1967: One, inpatient hospital services; two outpatient hospital services; three, other laboratory and X-ray services; four, physicians' services; and five, skilled nursing home care for persons 21 years of age or older.

All States are required to have title 19 in effect by December 31, 1969, or lose Federal assistance for their State medical care programs. Also, they are required to have a comprehensive program in effect by July 1, 1975, which provides care and services to virtually all individuals who meet the plan's eligibility standards with respect to income and resources, including social services to enable such individual to attain or retain independence or self-care.

Under the matching formula established in title 19, the Federal Government would reimburse the States for a portion of their expenditures according to an equalization formula ranging from 50 to 83 percent, depending on the per capita income of a State as it is related to the national per capita income. This represents an increase over the 50- to 80-percent formula used under Kerr-Mills.

Like Kerr-Mills, the States would be left to determine their own income standards, and there would be no limitation on the amount of State expeditures the Federal Government could match. Thus, the Federal Government is telling States that if they will agree to develop in the next 10 years a program to provide free health services to those citizens the States define as medically needy—and I emphasize that this definition can vary from State to State—the Federal Government will pay at least half the cost.

The experience with Kerr-Mills led to expectations that the States would exercise reasonable restraint in extending help to persons not already covered in the

programs being combined in title 19. However, in contrast to Kerr-Mills, the States have responded quickly in implementing the title and in taking advantage of the more liberal Federal matching formula. Several States have expanded their programs and have instituted more liberal means tests.

The result is that 19 States and jurisdictions now have programs in operation. Eighteen have provided costs estimates for the Federal Government, which total $830.3 million the first year. At this point in my remarks I ask unanimous consent to include a table of States with title 19 programs in operation and the Federal cost as estimated by each State.

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

	Million
California (calendar year estimate)	$210.0
Hawaii (calendar year estimate)	2.4
Idaho (fiscal year 1967 estimate	6.4
Illinois (calendar year estimate)	40.0
Kentucky (fiscal year 1967 estimate)	29.0
Louisiana (fiscal year 1967 estimate)	37.0
Maryland (fiscal year 1967 estimate)	22.0
Minnesota (calendar year estimate)	39.0
Nebraska (fiscal year 1967 estimate)	11.0
New York (calendar year estimate)	217.0
North Dakota (calendar year estimate)	18.4
Ohio (fiscal year 1967 estimate)	18.0
Oklahoma (calendar year estimate)	15.6
Pennsylvania (calendar year estimate)	100.0
Puerto Rico (calendar year estimate)	22.0
Utah (fiscal year 1967 estimate)	5.7
Washington (fiscal year 1967 estimate)	20.0
Connecticut (fiscal year 1967 estimate)	16.9
Rhode Island (fiscal year 1967 estimate)	([1])
Total	830.3

[1] No estimate.

Mr. SALTONSTALL. It is expected that by January 1, 1967, just 4 months from now, at least 32 States and jurisdictions will have programs in effect, bringing the Federal cost to well over $1 billion. That will undoubtedly require a supplemental appropriation. In fact, so broad and open ended is the title 19 program that, as I indicated early in my remarks, by the time all States adopt it, it will outstrip the medicare program both in total cost and coverage.

Perhaps the first inkling that title 19 was a sleeper that would prove far more expensive than had been anticipated came when New York announced its medicaid plan. The New York plan establishes an income limitation of $2,900 for a single person and up to $6,000 after taxes for a family of four. Its benefits include not only the five basic minimum benefits specified in the law, but also 16 other medical services, and includes social services.

New York estimates the initial Federal share of its program to be $217 million. It estimates the total initial cost of its program at $532 million on an "actual experience" basis and $1 billion on an "all eligible basis." However, the Department of Health, Education, and Welfare has charged that these estimates are too low. They believe the total cost on an "actual experience" basic will be between $600 and $700 million and $1.4 billion on an "all eligible" basis. The Department contends that the New York Department of Social Welfare, in submitting its estimates, did not take sufficient account of the changed basic nature of the medical assistance program and the great likelihood that eligible persons will quickly become aware of the benefits available, and will use them.

An estimated 8 million residents of New York are potentially eligible for the program which has been drawn up by State officials, or nearly half of that State's population. Clearly this approach goes beyond the kind of program Congress supported in Kerr-Mills, and which it thought, with some modest increases, it simply would be continuing under title 19.

An important feature of the New York plan is its coverage of young and middle-aged, nonhandicapped persons, many of whom are in the moderate income bracket. The Federal Government will not match the $95 million which the State expects to spend for these people because they are presently outside the scope of the title 19 program. However, some experts believe they eventually will be covered. If so, we will be embarking on a program Congress never intended to promote, one far more revolutionary in its impact than medicare itself.

My own State of Massachusetts has not officially submitted a plan to the Department of Health, Education, and Welfare for approval, but has filed a prospectus which is reasonable in scope and is the type of program Congress had initially thought most States would adopt.

The Massachusetts plan expects to cover all public assistance recipients, all persons who, except for having enough income for their daily needs, could qualify for public assistance under the Federal eligibility standards, and all needy children under 21 who could not qualify for public assistance but whose families cannot afford to pay for all or part of the cost of the medical care they need.

Income standards are set at $1,800 for a single person, $2,700 for a family of two, $3,120 for a family of three, and $3,600 for a family of four. I understand, Mr. President, that the amounts of those standards may be increased. At least the five basic benefits will be provided. The Federal share of the program will be 50 percent. The State estimates that during the first year of operation the Federal contribution to the program will cost $55.5 million, and that 250,000 cases or 4 percent of the State population will be covered.

In recent months various medical groups and certain Members of Congress have come to realize the ramifications of title 19 and have offered proposals to impose limits on Federal expenditures for the program. These proposals have taken many forms. One is to place a ceiling on the total Federal contribution, thus forcing a pro-rating of appropriations between the States. Another type of suggestion would place a maximum on the Federal dollars going to any one State, on the number of people covered in a State, or on the proportion of the State's population to be covered. A third proposal would specify that no funds shall be used for families with incomes over a certain standard, such as the average annual earnings of factory production workers in a State. Still another suggestion is that the law be amended to permit deductibles, coinsurance, and variations in benefits between geographical areas and groups of individuals in a State. Certainly it is clear that a reexamination of the law is necessary, and that careful consideration be given to the various proposals that have been made.

I think we all support the basic principle of title 19, to provide medical assistance to needy persons of low income. But I believe the program should be confined at this time to persons who either fall within the public assistance category or are on the fringes of it, and should not be extended to provide Federal matching to nonhandicapped, able-bodied individuals of moderate means. By doing this we are better able to serve people who really need the assistance. There is just so much money available to the Federal Government and there are many programs which can make good use of it. This, of course, is one of them. But we want to meet the need that exists and then conserve funds beyond those required for our defense needs, for aid to our urban areas, for water and air pollution, for our transportation system, and for the many, many other projects that require assistance at this time.

I do, therefore, hope that Congress will follow closely the implementation of this program and will seek to modify it where modifications are called for. I am confident that the Ways and Means Committee and other appropriate congressional committees will do just that.

Mr. President, I say in conclusion that when I read these newspaper reports, I determined to look into this question, because when I voted originally for the Kerr-Mills Act, we were making a proper recommendation for Federal Government assistance. When we extended Kerr-Mills as a part of the social security program that included medicare, I voted for it, as did many others, because we thought it was a distinct improvement of the Kerr-Mills program. I personally had no knowledge or no understanding that the program would go as far as, apparently, it already has in several States, and will continue to build up so that it will ultimately, if the compilations prove to be correct, go beyond the cost of the medicare program.

So I hope, Mr. President—and I see the distinguished chairman of the Finance Committee in the Chamber—that that committee, as well as the Ways and Means Committee of the House, will give careful and thoughtful consideration to title 19 of the Social Security Act, either in this session or in the next session of Congress.

Mr. President, I yield the floor.

ADJOURNMENT

Mr. LONG of Louisiana. Mr. President, if there is no further business to come before the Senate, I move that the

Senate adjourn until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 46 minutes p.m.) the Senate adjourned until 12 o'clock meridian tomorrow, Tuesday, August 23, 1966.

NOMINATIONS

Executive nominations received by the Senate August 22, 1966:

NATIONAL LABOR RELATIONS BOARD

Gerald A. Brown, of California, to be a member of the National Labor Relations Board for a term of 5 years expiring August 27, 1971. (Reappointment.)

IN THE MARINE CORPS

The following-named officers of the Marine Corps for temporary appointment to the grade of colonel subject to qualification therefor as provided by law:

Charles B. Armstrong, Jr.
Edward J. Artnak
Marshall S. Austin
Almarion S. Bailey
Neil E. Barber
Arnold W. Barden
William E. Barrineau
Julian G. Bass, Jr.
William L. Beach
Nolan J. Beat
Don H. Blanchard
Willmar M. Bledsoe
Miller M. Blue
Richard C. Browning
James P. Bruce
Ralph D. Cail
Christopher M. Canan
Robert O. Carlock
Thomas W. Clarke
Matthew A. Clary, Jr.
Guy M. Cloud
Milton B. Cooper
Clement T. Corcoran
Alfred M. Cordes
John E. Cosgriff
Keith W. Costello
Erskine B. Crew
Wallace W. Crompton
William M. Crooks
Oliver W. Curtis
Adlin P. Daigle
Dellwyn L. Davis
Oliver R. Davis
Philip A. Davis
Stanley Davis
Nicholas J. Dennis
Rex C. Denny, Jr.
Joseph DiFrank, Jr.
James G. Dionisopoulos
William C. Doty, Jr.
Donald T. Doxey
Stanley G. Dunwiddie, Jr.
Paul J. Dupre
Phillip G. Dyer
Kenneth T. Dykes
George J. Edelmann, Jr.
Daniel R. Evans
Dee E. Ezell
Eugene B. Fallon
Richard J. Fellingham
Gerald Fink
Donald H. Foss
Edward L. Fossum
James G. Fox
James A. Gallo, Jr.
James C. Gasser
George A. Gibson
Thomas E. Gleason
Jerome L. Goebel
Norman W. Gourley
Paul G. Graham
John V. Hanes
John E. Hansen
Lester G. Harmon
Henry Hart
Roland S. Helstrom
Frank M. Hepler
John L. Herndon
Arthur T. Hill
Wilmer W. Hixson
Dan C. Holland
Joseph F. Holzbauer
Bill E. Horner
Eugenous M. Hovatter
Harry Hunter, Jr.
Leo R. Jillisky
Harrel K. Jobe
Ray N. Joens
James D. Johnson, Jr.
Thirl D. Johnson
Thomas J. Johnston, Jr.
Elwin M. Jones
Karl T. Keller
Wilbur C. Kellogg, Jr.
George D. Kew
Jack K. Knocke
William H. Lanagan, Jr.
Sylvester F. Leis
James Leon
James A. MacDonald, Jr.
James H. Magill
Emmons S. Maloney
Richard H. Mample
Samuel F. Martin
Ralph P. Mawyer
Warren E. McCain
William L. McCulloch
Lawrence McGlade
James D. McGough
Charles E. McPartlin, Jr.
Harold G. McRay
Herbert E. Mendenhall
Richard L. Michael, Jr.
Walter Moore
William R. Morrison
Richard B. Newport
Joseph T. Odenthal
Andrew W. O'Donnell
John L. Ostby
Leslie L. Page
Harry F. Painter
Robert L. Parnell, Jr.
Vernon J. Peebles
Allen L. Phillips
Robert H. Piehl
Mervin B. Porter
William R. Quinn
Mark A. Rainer, Jr.
Darrell L. Ritter
Robert S. Robertson
Harry G. Robinson, Jr.
Francis X. Rudenauer
Marvin R. Russell
Edwin S. Schick, Jr.
Richard J. Schriver
Adolph G. Schwenk
Paul W. Seabaugh
Allen R. Semb
James W. Shank
Robert F. Shields
Walter Sienko
Robert D. Slay
Burneal E. Smith
Nathan R. Smith
Albert W. Snell
Benjamin F. Sohn
James B. Soper
Harvey E. Spielman
Lyle S. Stephenson
Walter C. Stewart, Jr.
Laurence J. Stien
Harold H. Stirling, Jr.
Robert W. Taylor
Paul C. Trammell
William L. Traynor
Sumner A. Vale
Earl K. Vickers, Jr.
Marvin D. Volkert
Dale L. Ward
Paul B. Watson, Jr.
Donald E. Watterson
Frederic T. Watts, Jr.
James R. Weaver
James M. Weidner
James F. Williams
Laurence H. Woods
Robert Zeugner

IN THE NAVY

The following-named enlisted personnel to be ensigns in the Medical Service Corps of the Navy, for temporary service, subject to the qualifications therefor as provided by law:

Sergei F. Pron
Robert H. Brant
Avon R. Donohue, Jr.
Sagat M. Giron
Joseph R. Steiner
Michael F. Conway
William M. Buckley
Paul N. Ackley
Anthony J. Ziner
Bruce E. Talcott
Jose P. Benedito, Jr.
Damon T. Romine
Carl S. Chitwood
John Z. O'Brien
Neil R. Petersen
Gerald E. Roets
Robert S. Galbreath
Gary O. McCracken
John E. Aubin
Wilfred A. Fregeau
Arthur W. Moore
Ivan D. Howard
Eddie C. Cagle
Thomas J. Bufano
Whitney P. Thomas
Elmer Holstien, Jr.
Theodore E. McCalment
Michael B. Lamasters
Salvatore J. Profita
Paul E. Daniel

The following-named enlisted personnel selected as alternates to be ensigns in the Medical Service Corps of the Navy, for temporary service, subject to the qualifications therefor as provided by law:

Charles M. Alewine
James C. Potts
Robert G. Relinski, Jr.
Robert J. Scholtes
Jerome J. Bielawski
Ronald S. Woods
Robert F. Hopkins
David C. Jackam
Jim L. Russell
Paul R. Cowart
Gerald L. Gardner
John R. Kellner
Anson A. Wallace, Jr.
Ralph W. Brubaker
Robert E. Campbell
Jack B. Rider
Stanley J. Tenopir
James L. Ross
Adolph L. Siggers
Arthur E. Kennedy
Charles R. Vaught
John P. Wilkinson
Dudley J. Wildes
Harold G. Bolster, Jr.
Elio Mataldi
Earley W. Sawyers
Walter F. Benedict
Raymond P. Bauley
Robert H. Hazelton, Jr.
Donald R. Gray
Edward J. Otis
Jack M. Hill
Gary H. Stovall
William D. Lekvold
Fenton C. Miller, Jr.
William F. Breare II
Darrel L. Waldroupe
Hector N. Cornejo
Ronald J. Baker, Sr.
Frederick J. Merkel
Robert L. Russnogle
Jack E. McDaniel

Leslie G. Kappel (Naval Reserve Officers Training Corps candidate) to be a permanent ensign in the line of the Navy, subject to the qualifications therefor as provided by law.

Melvin Ervin, Jr. (civilian college graduate) to be a permanent lieutenant in the Dental Corps of the Navy, subject to the qualifications therefor as provided by law.

The following-named (Naval Reserve officers) to be permanent lieutenants and temporary lieutenant commanders in the Dental Corps of the Navy, subject to the qualifications therefor as provided by law:

Roger E. Bisson
David L. Drake

The following-named (Naval Reserve officers) to be permanent lieutenants (junior grade) and temporary lieutenants in the Dental Corps of the Navy, subject to the qualifications therefor as provided by law:

Jack S. Burrus
Jimmie L. Burk, Jr.
Charles H. Julienne
Paul T. McDavid, Jr.
"M" Dan Morris

Hugh A. Burkett (Navy enlisted scientific education program) to be a permanent ensign in the Civil Engineer Corps of the Navy in lieu of ensign in the line of the Navy as previously nominated and confirmed subject to the qualifications therefor as provided by law.

The following-named officers of the U.S. Navy for temporary promotion to the grade of lieutenant commander in the Dental Corps, subject to qualification therefor as provided by law:

Douglas, Robert J.
Huttula, Charles S.

WITHDRAWAL

Executive nomination withdrawn from the Senate August 22, 1966:

POSTMASTER

The nomination sent to the Senate on July 15, 1966, of Frank T. Ashton to be postmaster at Preston, in the State of Minnesota.

EXTENSIONS OF REMARKS

Panama City Post No. 2185, VFW

EXTENSION OF REMARKS

OF

HON. ROBERT L. F. SIKES

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Monday, August 22, 1966

Mr. SIKES. Mr. Speaker, I am tremendously impressed with the work of the Panama City Post No. 2185 of the Veterans of Foreign Wars. It was designated as the outstanding post in the State of Florida in 1965 and 1966 for the following remarkable accomplishments:

First. First post in Florida to reach 100 percent in membership of the previous year.

Second. First post in Florida to meet its quota and go over the top, by securing 20 new members.

Third. First and only post in the State of Florida to produce a national winner in the Voice of Democracy contest, Mike Stone, of Bay High School, who went on to Washington, D.C., and captured fourth place in the Nation, plus a $1,500 scholarship.

Fourth. Won a citation for outstanding work in Americanism.

Fifth. Received a citation for outstanding work in youth activities.