without any deductions from benefits thereunder; to the Committee on Ways and Means.

By Mr. WHITE (for himself and Mrs. BOGGS):

H.R. 16772. A bill to amend title 44, United States Code, to strengthen the authority of the Administrator of General Services with respect to records management by Federal agencies, and for other purposes; to the Committee on Government Operations.

By Mr. CHARLES WILSON of Texas (for himself, Mr. ECKHARDT, Mr. FOLEY, Mr. JOHNSON of California, Mr. MEEDS, and Mr. UDALL):

H.R. 16773. A bill to amend the Mineral Leasing Act of 1920, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. WOLFF:

H.R. 16774. A bill to provide for the issuance of a commemorative postage stamp in honor of the 50th anniversay of the trans-Atlantic airplane flight of Charles A. Lindbergh; to the Committee on Post Office and Civil Service.

By Mr. WON PAT:

H.R. 16775. A bill to waive the visa requirements for aliens visiting Guam for not more than 15 days; to the Committee on the Judiciary.

By Mr. WYLIE:

H.R. 16776. A bill to exclude from gross income the first $1,000 of interest received from savings account deposits in home lending institutions; to the Committee on Ways and Means.

By Mr. YOUNG of Florida:

H.R. 16777. A bill to amend the Marine Mammal Protection Act of 1972 in order to prohibit the issuance of general permits thereunder which authorize the taking of marine mammals in connection with commercial fishing operations, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. MAHON:

H.J. Res. 1131. Joint resolution making further continuing appropriations for the fiscal year 1975, and for other purposes; to the Committee on Appropriations.

By Mr. BADILLO:

H.J. Res. 1132. Joint resolution proposing an amendment to the Constitution of the United States with respect to congressional disapproval of Presidential pardons; to the Committee on the Judiciary.

By Mrs. HANSEN of Washington:

H.J. Res. 1133. Joint resolution proposing an amendment to the Constitution of the United States to repeal the 25th amendment to that Constitution (relating to Presidential disability and Vice Presidential succession); to the Committee on the Judiciary.

By Mr. REES:

H.J. Res. 1134. Joint resolution endorsing the Pacific 21 bicentennial celebration; to the Committee on the Judiciary.

By Mr. ROUSH:

H.J. Res. 1135. Joint resolution to designate the last week in November of each year as "National Family Week"; to the Committee on the Judiciary.

By Mr. SANDMAN:

H.J. Res. 1136. Joint resolution proposing an amendment to the Constitution of the United States relative to the balancing of the budget; to the Committee on the Judiciary.

By Ms. COLLINS of Illinois:

H. Con. Res. 642. Concurrent resolution expressing the sense of Congress that President Ford should grant a pardon to Otto Kerner, Jr., for the same reasons a Presidential pardon was granted to Richard M. Nixon; to the Committee on the Judiciary.

By Mr. KOCH (for himself, Mr. ANDERSON of California, Mr. BADILLO, Mr. BROWN of California, Mr. JOHN L. BURTON, Mr. CLAY, Mr. CONYERS, Mr. DELLUMS, Mr. FAUNTROY, Mr. FULTON, Mr. HECHLER of West Virginia, Mr. LONG of Maryland, Mr. LUKEN, Mr. MITCHELL of Maryland, Mr. MURPHY of Illinois, Mr. NEDZI, Mr. PIKE, Mr. ROSENTHAL, Mr. CHARLES H. WILSON of California, Mr. WINN, and Mr. YATES):

H. Con. Res. 643. Concurrent resolution expressing the sense of Congress with respect to certain pardons granted or which may be granted by the President; to the Committee on the Judiciary.

By Mr. STEELE:

H. Con. Res. 644. Concurrent resolution expressing the sense of Congress regarding Presidential pardons in the Watergate affair; to the Committee on the Judiciary.

By Mr. CLARK (for himself and Mr. GROVER):

H. Res. 1376. Resolution authorizing the printing of proceedings unveiling the portrait of the Hon. Leonor K. Sullivan; to the Committee on House Administration.

By Mr. MIZELL:

H. Res. 1377. Resolution expressing the sense of the House regarding the halt of U.S. economic and military assistance to Turkey until all Turkish armed forces have been withdrawn from Cyprus; to the Committee on Foreign Affairs.

By Mr. ROE:

H. Res. 1378. Resolution concerning the safety and freedom of Valentyn Moroz, Ukranian historian; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. GUBSER:

H.R. 16778. A bill to validate the conveyance of certain land in the State of California by the Southern Pacific Transportation Co.; to the Committee on Interior and Insular Affairs.

By Mr. JOHNSON of Pennsylvania:

H.R. 16779. A bill for the relief of Upper Allegheny Sand and Gravel Co., Inc.; to the Committee on the Judiciary.

By Mr. McFALL:

H.R. 16780. A bill to validate the conveyance of certain land in the State of California by the Southern Pacific Transportation Co.; to the Committee on Interior and Insular Affairs.

By Mr. ROUSH:

H.R. 16781. A bill for the relief of Sylvester G. Schneider; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

507. By the SPEAKER: Petition of the Oklahoma chapter, the Wildlife Society, Stillwater, Okla., relative to inclusion of the Illinois River in Oklahoma in the National System of Wild and Scenic Rivers; to the Committee on Interior and Insular Affairs.

508. Also, petition of the American Association for Automotive Medicine, relative to motor vehicle safety standards; to the Committee on Interstate and Foreign Commerce.

509. Also, petition of Irma Zigas, New York, N.Y., and others, relative to amnesty; to the Committee on the Judiciary.

510. Also, petition of the International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada, New York, N.Y., relative to national health insurance; to the Committee on Ways and Means.

SENATE—*Thursday, September 19, 1974*

The Senate met at 8:45 a.m. and was called to order by Hon. HOWARD H. BAKER, JR., a Senator from the State of Tennessee.

PRAYER

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

Hear the words of the psalmist:

"Who shall ascend into the hill of the Lord? or who shall stand in His holy place?

"He that hath clean hands, and a pure heart; who hath not lifted up his soul unto vanity, nor sworn deceitfully.

"He shall receive the blessing from the Lord, and righteousness from the God of his salvation."—Psalms 24:3–5

Let us pray.

O God our Father, grant unto us grace and wisdom to follow Thy will and not our own and to be mastered by conscience so that we fear not Thy searching light upon our inner being. Help us to shed old faults and to gain new virtues. May we grow stronger, purer, kinder, more like the Master. Though the day be long and the hours crowded may we never cease to be aware of Thee. When evening comes may we know the contentment of work well done and the peace of those whose minds are stayed on Thee. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

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

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., September 19, 1974.

To the Senate:

Being temporarily absent from the Senate on official duties, I appoint Hon. HOWARD H. BAKER, JR., a Senator from the State of Tennessee, to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
President pro tempore.

Mr. HOWARD H. BAKER, JR., thereupon took the chair as Acting President pro tempore.

THE JOURNAL

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the reading of the Journal of proceedings of Wednesday, September 18, 1974, be dispensed with.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

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

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that all committees be authorized to meet during the session of the Senate today.

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

EXECUTIVE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider nominations on the Executive Calendar.

There being no objection, the Senate proceeded to the consideration of executive business.

U.S. NAVY

The legislative clerk proceeded to read sundry nominations in the U.S. Navy.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the nominations be considered and confirmed en bloc.

The ACTING PRESIDENT pro tempore. Without objection, the nominations are considered and confirmed en bloc.

DEPARTMENT OF STATE

The legislative clerk proceeded to read sundry nominations in the Department of State.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the nominations be considered en bloc with the exception of the nomination of Mr. Frank C. Carlucci.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered, and without objection, the nominations are considered and confirmed en bloc.

CIVIL AERONAUTICS BOARD

The legislative clerk read the nomination of Richard Joseph O'Melia, of Maryland, to be a member of the Civil Aeronautics Board.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

INTERSTATE COMMERCE COMMISSION

The legislative clerk read the nomination of Robert Coleman Gresham, of Maryland, to be a Commissioner.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

FEDERAL ENERGY ADMINISTRATION

The legislative clerk read the nomination of William W. Geimer, of Illinois, to be a Director.

The ACTING PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

NOMINATIONS PLACED ON THE SECRETARY'S DESK—DIPLOMATIC AND THE FOREIGN SERVICE

The legislative clerk proceeded to read sundry nominations in the diplomatic and Foreign Service which had been placed on the Secretary's desk.

The ACTING PRESIDENT pro tempore. Without objection, the nominations are considered and confirmed en bloc.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

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

LEGISLATIVE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate return to the consideration of legislative business.

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

CONSIDERATION OF CERTAIN ITEMS ON THE CALENDAR

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar Orders Nos. 1105 and 1106.

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

AUTHORIZATION FOR GSA TO ENTER INTO MULTIYEAR LEASES

The Senate proceeded to consider the bill (S. 2785) to authorize the Administrator of General Services to enter into multiyear leases through use of the automatic data processing fund without obligating the total anticipated payments to be made under such leases, which had been reported from the Committee on Government Operations with an amendment to strike out all after the enacting clause and insert in lieu thereof:

That section 111 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 759) is amended by adding at the end thereof the following:

"(h) Notwithstanding any other provision of law, the Administrator is authorized to enter into multiyear contracts under this section financed through the fund and may incur or authorize obligations in excess of the amount available in the fund, except that (1) the amount of unfunded obligations incurred during any fiscal year shall not exceed the amount specified in an appropriation Act for that fiscal year, (2) the cash balances of the fund shall be maintained in such amounts as are necessary at any time for cash disbursements to be made from the fund, and (3) the term for the performance of any such contract shall not exceed ten years.

"(i) As used in this section, automatic data processing equipment also includes, but is not limited to, hardware, software, maintenance, related equipment and supplies, and related services."

Mr. PERCY. Mr. President, I am pleased that the Senate passed S. 2785 today. This bill authorizes the Administrator of General Services to enter into multiyear leases through the use of the automatic data processing fund without obligating the total anticipated payments to be made under such leases.

I am most grateful to my colleagues Senators CHILES, HUDDLESTON, ROTH, and BROCK for their cosponsorship of this legislation and for their support in the Subcommittee on Federal Procurement. This legislation was originally proposed by the General Accounting Office in a 1971 report, was supported by the Commission on Government Procurement, and was formally transmitted to the Congress by the General Services Administration which considers it as one of its highest priority proposals for the 93d Congress.

Ever since 1965, the General Services Administration has had the authority, provided by law, to administer a fund, called the ADP fund, for the efficient acquisition and maintenance of automatic data processing equipment for the entire executive branch. Through the ADP fund, GSA presently has the authority to lease computer and related equipment on a multiyear basis, which is the least costly method of leasing this equipment.

However, present law requires the amount payable over the entire period of the multiyear lease to be obligated from the fund at the time of contracting. Because the fund cannot support such large outlays, GSA must normally enter into short-term—1 year—leases, or long-term leases with termination rights. Neither of these methods is as economical as firm-term multiyear leases.

The bill I introduced, S. 2785, would permit GSA to contract for multiyear leases of ADP equipment, without having to obligate the full amount at the time of the contract.

The use of the ADP fund, from which all executive agency computer equipment can be acquired, will provide the necessary protection against termination of any one agency's contracts. The fund can absorb the risk of any one agency incurring termination liability charges because of unforeseen budgetary restraints.

This bill allows GSA to convert a large portion of the Government's present computer inventory to multiyear leases under new contracts.

The result will be a substantial long-term saving to the Government in the costs of acquiring and maintaining ADP equipment. GSA estimates savings of $35 to $75 million over a 2-year period, from conversion of present contracts alone.

Mr. President, the U.S. Government is the world's largest user of ADP equipment, yet it is currently unable to take advantage of multiyear lease savings that are available to any private user. My bill would correct that situation.

This legislation had the full support of the General Services Administration, the General Accounting Office, the Office of Management and Budget, and was supported by the final report of the

Commission on Government Procurement. I firmly believe it will permit a much more efficient and less expensive method of contracting.

Therefore, I am delighted the Senate acted affirmatively on this legislation today.

The amendment was agreed to.

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

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 93-1153), explaining the purposes of the measure.

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

EXCERPTS

I. PURPOSE

This bill amends section 111 of the Federal Property and Administrative Services Act of 1949, 79 Stat. 1127, as amended (40 U.S.C. 759) by adding two new subsections (h) and (i). These subsections would permit the Administrator of the General Services Administration (GSA) to enter into multiyear leases (not to exceed ten years) of automatic data processing (ADP) equipment at amounts in excess of what is available in the fund, provided the amount of unfunded obligations authorized is not needed and the balances of the fund are maintained in such amounts as are necessary at any time for cash disbursements to be made therefrom. Thus, the United States Government, the world's largest user of ADP equipment, would be able to take advantage of multiyear lease savings that are available to any private business. The bill also clarifies that the authority to enter into multiyear leases of automatic data processing equipment extends to collateral maintenance, software and other kinds of supplies and services that normally flow with ADP equipment acquisition.

II. NEED FOR THE LEGISLATION

The Government is expending $35 to $75 million more for installed computer equipment under short-term leases than it would under firm-term multiyear leases. Millions of dollars of additional savings are possible through the use of multiyear contracting for new equipment and maintenance services associated with long-term leases. S. 2785 would permit the Government to obtain better terms, more effective competition and, in short, operate in the marketplace in a manner comparable to commercial lessees of automatic data processing equipment.

Presently, GSA has multiyear leasing authority for acquisition of automatic data processing equipment through the ADP Fund. However, since, under 31 U.S.C. 665(a), "No officer or employee of the United States shall make or authorize an expenditure—in excess of the amount available therein;" the amount payable for the entire period of the multiyear lease must be obligated from the fund at the time of contracting. This provision severely limits the use of the ADP Fund for multiyear leasing; therefore, GSA and other Federal agencies are generally forced to enter into short-term leases, or long-term leases with termination rights. Both of these types of leases are considerably more expensive than firm-term multiyear leases.

The General Accounting Office (GAO), in a report to the Congress entitled "Multiyear Leasing And Government-wide Purchasing Of Automatic Data Processing Equipment Should Result In Significant Savings,"[1] recognized the advantages of not having to obligate all payments at the outset, the potential cost savings of multiyear leasing, and the desirability of utilizing the ADP Fund to undertake a Government-wide multiyear leasing program.

S. 2785 would enable GSA to convert a large portion of the Government's installed computer inventory (currently under short-term leases) to firm-term multiyear leases or lease/purchases. In its report, GAO estimated that resultant savings could range from $70 million under three-year leases to $155 million under five-year leases. Although the base on which GAO computed these savings (fiscal year 1969 installed inventory—$390 million) has diminished significantly, GSA still expects savings of $35 million under three-year leases to $75 million under five-year leases.

GAO only reported the potential savings in converting the installed inventory; however, this is only one area in which firm-term multiyear leasing may be applied. This method of acquisition without full-term obligation of funds will have a dramatic effect on new equipment procurements as well. The lower degree of risk assumed by the original equipment manufacturer or the third party vendor in firm-term multiyear leases will result in significant savings over the life of a system.

The Senate Report on H.R. 4845, which was enacted as Public Law 89-306, popularly known as the Brooks bill, said, "The bill also recognizes the desperate need to improve the Government's bargaining position in equipment acquisition."[2] S. 2785 would remedy a condition that inhibits the Government's ability to achieve the economic and efficient lease of ADP equipment, thereby contributing to a fuller achievement of this objective of the Brooks bill.

III. LEGISLATIVE HISTORY

Public Law 89-306 added section 111 to Title I of the Federal Property and Administrative Services Act of 1949. This Act authorized the Administrator of the General Services Administration to provide for the economic and efficient purchase, lease, and maintenance of automatic data processing equipment by Federal agencies. It also established an ADP Fund to facilitate the work of the Administrator.

The GAO report entitled "Multiyear Leasing And Government-wide Purchasing Of Automatic Data Processing Equipment Should Result In Significant Savings" states that—

"The rental of equipment under multiyear leases, as an alternative to short-term rentals, has become essential if the Government is to make maximum use of its limited funds for acquiring ADP equipment."

In addition, the GAO report said that the ADP Fund appeared to be the appropriate vehicle for the Government to use when agencies are barred from entering into multiyear leases. GAO pointed out that before the ADP Fund could be used extensively to obtain the benefits of multiyear leasing its capitalization must be increased substantially, or authority granted to GSA to contract on a multiyear basis without obligating the total anticipated payments at the time of entering into the leases. In view of the large capitalization that would be required (Mr. Meeker of GSA estimated $800 million to a billion dollars in his appearance before the Subcommittee), it was clear that the most practical approach would be to give GSA legislative authority to contract on a multiyear basis without committing the total amount needed to cover the life of the lease.

The Commission on Government Procurement recommended that funding policies regarding multiyear leasing contracts be revised to permit Government agencies to procure ADP equipment on a cost-effective basis. The report documented the savings that are possible by the use of multiyear rather than one-year rentals and pointed out that most industrial firms obtain ADP equipment on a long-term basis.[3]

The Administrator of GSA forwarded to the President of the Senate on August 20, 1973, draft legislation that would permit GSA to implement, without additional appropriations, a Government-wide multiyear leasing program for ADP equipment. This legislation would amend section 111 of the Federal Property and Administrative Services Act of 1949, 79 Stat. 1127, as amended (40 U.S.C. 759), by adding a new subsection (h). On December 6, 1973, Senator Percy (Illinois) introduced S. 2785, as requested by GSA with the cognizance of the Office of Management and Budget (OMB).

As a result of suggestions by GAO and the Legislative Counsel of the Senate, the bill was amended to provide better congressional control over the amounts that may be obligated for ADP leasing and added assurance that the bill does not conflict with the Anti-Deficiency Act.

GSA expressed approval of the Subcommittee amendment and suggested two changes which were accepted. One of these changes was to add a new subsection (i) to clarify that the authority in subsection (h) applies to not only leases of hardware but also to contracts for software development and other related services and supplies. The need for this clarification surfaced during the hearings on the bill. The language which was adopted conforms to the GAO interpretation of automatic data processing equipment as used in the Brooks bill.

IV. ANALYSIS OF THE BILL

The bill amends section 111 of the Federal Property and Administrative Services Act of 1949 by adding two subsections.

Subsection (h) would enable GSA to enter into multiyear leases at amounts in excess of what is available in the ADP Fund. Restrictions are placed on this authority to enable Congress to maintain visibility and control over the Fund. An additional provision limits the term for performance of multiyear leases placed under the authority of this subsection to ten years.

Following is a further elaboration on each of the above three elements of subsection (h):

Firm-Term Multiyear Leases

GSA's authority to execute firm-term multiyear leases for automatic data processing equipment is severely restricted because governing laws require obligation of the total cost for the entire period of the lease at the time of contracting. These laws provide, in part, that:

"No officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein; nor shall any such officer or employee involve the Government in any contract or other obligation, for the payment of money for any purpose, in advance of appropriations made for such purpose unless such contract or obligation is authorized by law [31 U.S.C. 665(a)]

"No contract or purchase on behalf of the United States shall be made, unless the same is authorized by law or is under an appropriation adequate to its fulfillment. . . ." [41 U.S.C. 11]

Subsection (h) would remove this restriction, thereby permitting GSA to use firm-term multiyear leases rather than short-term rentals of one year or less.

During the hearings on S. 2785 the Computer and Business Equipment Manufacturers Association (CBEMA) representative cautioned that if the Government applies the authority of this bill in such a manner as to conflict with normal commercial operations, then counter-costs would arise which would offset the advantages of true multiyear leasing. He pointed out that in return for payment of a lesser sum over a specific number of years, the ADP vendor

Footnotes at end of article.

expects a long-term commitment of cash flow which can be discounted by a bank or used as collateral for a loan. The Committee took the position that the objective of the bill is to gain for the Government the same benefits that are available to the private setcor from multiyear contracts. Accordingly, the Committee desires the Government's use of multiyear ocntracting to be consistent with normal commercial practice. The Committee expects GSA to use a multiyear contract that is, in fact, a marketplace mechanism.

Another point that arose during the hearings was whether the multi-year contracting authority should be extended to user agencies. CBEMA suggested that S. 2785 is unnecessarily restrictive in limiting multiyear leasing to GSA's ADP Fund. After a thorough evaluation of this suggestion, the Committee determined that the CBEMA objective of maximizing use of the multiyear authority could best be accomplished within the framework of Public Law 89–306 that established GSA as the focal point of ADP management within the executive branch.

The approach adopted in S. 2785 of establishing the ADP Fund as the single source of funding for multiyear ADP contracts has a number of advantages:

GSA can consider the useful life of ADP equipment to the Government as a whole Individual agencies, either from annual appropriations or from revolving funds, would only be able to commit funds for their individual needs.

The provisions in the bill that, "the amount of unfunded obligations incurred during any fiscal year shall not exceed the amount specified in an appropriation Act for that fiscal year," assures congressional control over these expenditures. Broadening the bill to authorize other agencies, through annual appropriations or revolving funds, to contract on a multiyear basis would diffuse fiscal accountability to such a point that Congress could lose a great measure of fiscal control.

By funding all firm-term multiyear contracts through the ADP Fund (including those procurements delegated to other agencies), single payment discounts from vendors of 2 to 4 percent annually are expected.

One source of ADP funding to interface with the market and its supporting financial institutions would enhance the Government's bargaining position for the acquisition of ADP equipment.

The concept in S. 2785 of the ADP Fund serving as the single source of funding for multiyear ADP contracts is entirely consistent with the responsibilities assigned to GSA by Public Law 89–306. Senate Report 89–938, pertaining to this law, discussed the need for the fund and GSA's operation of the Fund in these terms:

The Fund would afford an effective means of attaining economic acquisition of Government ADP equipment.

Were all ADP purchase and lease money in "one pocket," the Government would be in a stronger bargaining position in dealing with manufacturers.

But the most compelling need for the revolving fund is in establishing the single purchaser concept in Government ADP acquisition.

Essentially, all Federal agencies would lease equipment from the the GSA revolving fund.[4]

By proper use of the authority conveyed in the Brooks bill, as amended by S. 2785, all of the above advantages can be realized, while maximizing use of the multiyear contracting authority. It will also be possible to use selectively, the capabilities for ADP procurement that exist within the user agencies. The procedure to be employed by GSA in implementing S. 2785, is explained in the Agency's letter of April 5, 1974.[5] It should be noted that in recent years GSA has delegated approximately 81 percent of the ADP procurements to user agencies (in terms of dollar value).

Under the GSA procedure, when a procurement delegation is made to an agency to enter into a firm-term multiyear lease without full obligation of funds, the authority to cite and obligate the ADP Fund will also be delegated. The Fund then would underwrite the contract and make payments to the vendor, and the user agency would reimburse the Fund from annual appropriations.

To insure that there is no legal impediment to GSA delegating an agency authority to cite and obligate the Fund, the General Accounting Office was asked for an opinion.[6] GAO confirmed that there is no prohibition against this practice, as long as GSA maintains adequate overall supervision of Federal agencies procurement of ADP equipment and provided the amount of unfunded obligations authorized is not exceeded and that there is sufficient balance in the ADP Fund to make required cash disbursements.[7]

ADP Fund

Use of the Fund, as prescribed by S. 2785, is consistent with the principles of congressional visibility and control as set forth in the Senate's budget reform legislation (S. 1541, as amended). The provisions in the bill that (1) the amount of unfunded obligations incurred during any fiscal year shall not exceed the amount specified in an appropriation Act for that fiscal year, and (2) the cash balances of the Fund shall be maintained in such amounts as are necessary at any time nor cash disbursements to be made from the Fund, will enable Congress to exercise control over the amounts that may be obligated for ADP leasing. These restrictions conform to the requirements established in Public Law 89–306 for operation of the ADP Fund.

Contract term

The limitation of ten years on the term for the performance of a multiyear lease provides an essential control but permits flexibility in the negotiation of multiyear leases. One reason for selecting ten years is that the current life of ADP systems is eight to ten years. Another reason is that it corresponds to GSA's contracting authority in the telecommunications area. The fact that multiyear contracts may cover up to ten years does not alter the requirement that multiyear leases are to be justified on a case-by-case basis as the most cost-effective method of acquiring needed ADP equipment.

Subsection (i) was included in the bill to make it clear that the authority in subsection (h) applies to more than leases for hardware. Software development, related equipment, maintenance, supplies, and services may also be procured by firm-term multiyear contracts. The description of automatic data processing equipment in subsection (i) is compatible with the General Accounting Office interpretation of automatic data processing equipment as it is used in the Brooks bill.

V. HEARINGS

One day of public hearings were held by the Ad Hoc Subcommittee on Federal Procurement, March 27, 1974, during which the following four witnesses testified:

Hon. CHARLES H. PERCY, a United States Senator from the State of Illinois.

PETER F. MCCLOSKEY, President, Computer and Business Equipment Manufacturers Association.

MICHAEL CREEDON, President, Computer Lessors Association.

M. SHY MEEKER, Commissioner, Automated Data and Telecommunications Services, General Services Administration.

In lieu of testimony, GAO submitted its April 30, 1971 report on multiyear leasing and Government-wide purchasing of ADP equipment (B–115369)[8] and its written views and recommendations on S. 2785 (B–151204, March 26, 1974). Both of these documents are included in the Committee record of the hearings.

Summary of testimony

All four of the witnesses voiced strong support of the bill's objective of giving GSA authority to enter into multiyear leases through use of the ADP Fund without obligating the total anticipated payments under the lease. They said that the Government should avail itself of the advantages of multiyear contracting in the same manner and extent as private business and industry.

There was also agreement by the witnesses that the legislation should facilitate the widest possible use of the multiyear leasing authority without interfering with the controls and authorities provided by Public Law 89–306. The Computer and Business Equipment Manufacturers Association suggested that this could best be done by granting all agencies the authority to make multiyear leases as prescribed by the bill. The position of the General Services Administration was that the objective could best be accomplished by retaining the ADP Fund as the single source of funding for firm-term multiyear ADP contracts. After reviewing all facets of the problem, the Subcommittee determined that delegation by GSA to other agencies to cite and obligate the ADP Fund in firm-term multiyear contracting would achieve the objective sought by CBEMA, while retaining the integrity of the central management concept prescribed by Public Law 89–306.

Another point on which there was general agreement was the need to clarify that the authority to enter into multiyear leases applies not only to leases for hardware, but also to contracts for software development and other related services and supplies. This was accommodated by the addition of subsection (i).

FOOTNOTES

[1] U.S. Comptroller General. *Multiyear Leasing and Government-wide Purchasing of Automatic Data Processing Equipment Should Result in Significant Savings.* Washington, U.S. General Accounting Office, B–115369, April 30, 1971.

[2] Senate Committee on Government Operations, *Automatic Data Processing Equipment.* Report of the Committee, Senate Report 89–938, 89th Congress, 1st Session, 1965, page 36.

[3] The Report of the Commission on Government Procurement, December 1972, Vol. 3, pages 48–49.

[4] See note 2, *supra,* pp. 21, 28, 30.

[5] See appendix A.

[6] See appendix B.

[7] See appendix C.

[8] See note 1, *supra.*

GOOD NEIGHBOR DAY

The joint resolution (S.J. Res. 235) to authorize and request the President to issue a proclamation designating the fourth Sunday in September of each year as "Good Neighbor Day" was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is authorized and requested to issue a proclamation designating the fourth Sunday of September of each year as "Good Neighbor Day", and calling upon the people of the United States and interested groups and

organizations to observe such day with appropriate ceremonies and activities.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 93-1156), explaining the purposes of the measure.

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

EXCERPT

PURPOSE

The purpose of the joint resolution is to authorize and request the President to issue a proclamation designating the fourth Sunday of each year as "Good Neighbor Day."

STATEMENT

Our Nation is undergoing a cultural revolution together with a steady exodus from the intercity to suburban areas and out of such movement there is created a need for cooperation in the building of new communities and happier quality of life for all.

A Presidential proclamation designating a "Good Neighbor Day" would encourage all people to practice brotherly love and to produce a lasting peace and a better world.

The committee is of the opinion that this resolution has a meritorious purpose and accordingly recommends favorable consideration of Senate Joint Resolution 235, without amendment.

ORDER OF BUSINESS

The ACTING PRESIDENT pro tempore. The Senator from Texas.

Mr. TOWER. I yield the floor.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum. I ask unanimous consent that the time be charged against the time allotted to me under the order.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered, and the clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. ROBERT C. BYRD). Without objection, it is so ordered.

ORDER OF BUSINESS

The PRESIDING OFFICER. Under the previous order, the Senator from Tennessee (Mr. BAKER) is recognized for not to exceed 5 minutes.

PROPOSED ESTABLISHMENT OF A JOINT COMMITTEE ON INTELLIGENCE OVERSIGHT

Mr. BAKER. Mr. President, I, along with Senators WEICKER, HART, CHURCH, MANSFIELD, HUMPHREY, CRANSTON, MONTOYA, INOUYE, BROOKE, PEARSON, and JAVITS, send to the desk for appropriate reference a bill to create within the Congress a Joint Committee on Intelligence Oversight.

This legislation establishes a 14-member joint House-Senate committee, not dissimilar to the Joint Committee on Atomic Energy, specifically entrusted with primary oversight and legislative responsibility for the Federal intelligence community.

While a Joint Committee on Intelligence Oversight will provide increased assurance that the various intelligence and law-enforcement agencies are abiding by the Constitution and the Federal statutes by which they were created, I believe that the committee also will strengthen our legitimate intelligence gathering capacity through insuring better coordination between the CIA, FBI, Secret Service, DIA, NSA, and other agencies possessing intelligence jurisdiction, and through eliminating much of the current duplication and apparent jealousy and competition in the intelligence community. Moreover, it is hoped that increased congressional oversight would render the intelligence community more responsive to legitimate Presidential and congressional requirements.

My concern regarding congressional oversight of the Federal intelligence community, as well as the extent and thoroughness of the information provided Congress by the intelligence community, stems, in large part, from my service on the Select Committee on Presidential Campaign Activities. Both in the Watergate Committee report and in other select committee documents, there is found a substantial body of evidence regarding the activities of the Central Intelligence Agency, the Federal Bureau of Investigation, the National Security Council, and other governmental intelligence gathering and investigative organizations, which provides insight into the activities, as well as the abuses, of these organizations.

Unfortunately, I believe, the select committee staff investigation or inquiry into the Central Intelligence Agency connection to the Watergate breakin and coverup was effectively ended after we received a letter from Director Colby, dated March 7, 1974, stating that the Agency would make certain critical classified information "completely available to inspection by any member of the CIA Subcommittee of the Senate Armed Services Committee" but that he did not "think it appropriate to turn over to the select committee" any of this material. And the committee was then confronted by another, perhaps more effective, stonewall. I suggest that this is the only instance of a categorical refusal by any agency or department of the Government to cooperate with the select committee.

Nevertheless, I directed the committee staff to assemble a report and to file it with the committee. I delivered a copy of that report to the chairman of the Appropriations Committee and the Armed Services Committee, for the use of their CIA Oversight Subcommittees.

The staff report was later "sanitized" for sensitive and classified material by the CIA. Mr. President, I shall ask unanimous consent that a copy of this "sanitized" report be printed in the RECORD at the conclusion of these remarks.

Based on that experience, meaning the staff CIA report and other investigations, I believe there is no question that the Central Intelligence Agency was "involved" in Watergate; the question is rather on whose order and for what purpose.

Clearly, the factual circumstances outlined in the staff report are, in many cases, inconclusive and lend themselves to varying inferences and interpretations. I believe, however, that this very uncertainty and the inadequacy of the explanations provided by the CIA, the White House, and the other agencies involved, highlights the need for a more effective, single purpose oversight capability within the Congress of the United States. It seems apparent that current congressional committee oversight does not function effectively as a deterrent to those who may seek to utilize governmental intelligence and investigative agencies for unlawful or unauthorized purposes. I wish to say that I have nothing but the highest respect and regard for the members of the current oversight committees, particularly Senators STENNIS and MCCLELLAN, but I think their obvious burdens and responsibilities in the conventional fields of appropriations and armed services are such that their committees are unable to accord more than cursory attention to the oversight function—witness the fact that according to committee staff, the Armed Services Central Intelligence Subcommittee has conducted only two formal meetings during the 93d Congress.

The recommendation of the Select Committee on Presidential Campaign Activities that congressional oversight of the intelligence community be strengthened, as well as my own calling for the creation of a Joint Committee on Intelligence Oversight, were, of course, based on the knowledge before the committee and in the public domain as of July of this year. Since that time, the compelling need for increased congressional oversight has been increased by the recent revelation that there are alleged major discrepancies in sworn testimony submitted to the Senate Foreign Relations Committee by high State Department and Central Intelligence Agency officials regarding covert CIA operations in Chile. Apparently, the House and Senate Foreign Relations Committees were misled regarding the expenditure of $11 million, as authorized by the so-called Forty Committee, to preserve the opposition press and political parties during the administration of the late Salvador Allende.

This circumstance has prompted, I understand, legislation, including bills introduced by our distinguished colleague from Minnesota (Mr. MONDALE) and Congressman HARRINGTON, designed to provide for increased congressional foreknowledge and oversight of such activities. I commend them for their efforts. Moreover, displaying remarkable foresight, the distinguished majority leader of the Senate, Senator MANSFIELD, introduced legislation in 1953, 1954, and 1955, to establish a Joint Committee on Central Intelligence. This legislation eventually was defeated on April 11, 1956; but I hope that intervening circumstances now will compel a different result.

In closing, I wish to urge that the 93d Congress enact this legislation, after appropriate committee consideration, before adjournment. I am pleased that, during his most recent press conference,

President Ford indicated that he was going to meet with the responsible congressional committees to discuss the need for changes in the intelligence review process; but I think that we need more than a change in the review process, we need a change in the committee structure. Thus, because of the cost, the secrecy, the lack of effective supervision, the uncertainty of domesic activities, and the extreme difficulty in obtaining access to classified materials, I am of the opinion that congressional oversight of governmental intelligence operations must be entrusted to a committee solely charged with that responsibility; and that consideration of this proposal deserves priority consideration in the waning days of this session of the 93d Congress.

Mr. President, I ask unanimous consent that the aforementioned Senate Select Committee staff report and the text of the bill which I am introducing be printed in the RECORD at this point.

There being no objection, the bill and staff report were ordered to be printed in the RECORD, as follows:

S. 4019

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Joint Committee on Intelligence Oversight Act of 1974."

ESTABLISHMENT OF JOINT COMMITTEE ON INTELLIGENCE OVERSIGHT

SEC. 2. (a) There is hereby established a Joint Committee on Intelligence Oversight (hereinafter referred to as the "Joint Committee") which shall be composed of fourteen members appointed as follows:

(1) seven members of the Senate, four to be appointed by the majority leader of the Senate and three to be appointed by the minority leader of the Senate; and

(2) seven members of the House of Representatives, four to be appointed by the majority leader of the House of Representatives and three to be appointed by the minority leader of the House of Representatives.

(b) The Joint Committee shall select a chairman and a vice chairman from among its members at the beginning of each Congress. The vice chairman shall act in the place and stead of the chairman in the absence of the chairman. The chairmanship and the vice chairmanship shall alternate between the Senate and the House of Representatives with each Congress. The chairman during each even-numbered Congress shall be selected by the Members of the House of Representatives on the Joint Committee from among their number and the chairman during each odd-numbered Congress shall be selected by the Members of the Senate on the Joint Committee from among their number. The vice chairman during each Congress shall be chosen in the same manner from that House of Congress other than the House of Congress of which the chairman is a Member.

(c) A majority of the members of the Joint Committee shall constitute a quorum for the transaction of business, except that the Joint Committee may fix a lesser number as a quorum for the purpose of taking testimony. Vacancies in the membership of the Joint Committee shall not affect the power of the remaining members to execute the functions of the Joint Committee and shall be filled in the same manner as in the case of the original appointment.

(d) Service of a Senator as a member or as chairman of the Joint Committee shall not be taken into account for the purposes of paragraph 6 of rule XXV of the Standing Rules of the Senate.

DUTIES OF THE JOINT COMMITTEE

SEC. 3. (a) It shall be the duty of the Joint Committee to conduct a continuing study and investigation of the activities and operations of (1) the Central Intelligence Agency, (2) the Federal Bureau of Investigation, Department of Justice, (3) the United States Secret Service, (4) the Defense Intelligence Agency, Department of Defense, (5) the National Security Agency, and (6) all other departments and agencies of the Federal Government insofar as the activities and operations of such other departments and agencies pertain to intelligence gathering or surveillance of persons; and to consider proposals for the improvement and reorganization of agencies and departments of the Federal Government within the jurisdiction of the Joint Committee.

(b) The Director of the Central Intelligence Agency, the Director of the Federal Bureau of Investigation, the Director of the Secret Service, the Director of the Defense Intelligence Agency, and the Director of the National Security Agency shall keep the Joint Committee fully and currently informed with respect to all of the activities of their respective organizations, and the heads of all other departments and agencies of the Federal Government conducting intelligence activities or operations or the surveillance of persons shall keep the Joint Committee fully and currently informed of all intelligence and surveillance activities and operations carried out by their respective departments and agencies. The Joint Committee shall have authority to require from any department or agency of the Federal Government periodic written reports regarding activities and operations within the jurisdiction of the Joint Committee.

(c)(1) All bills, resolutions, and other matters in the Senate or the House of Representatives relating primarily to the functions of the Central Intelligence Agency, the Federal Bureau of Investigation, the United States Secret Service, the Defense Intelligence Agency, the National Security Agency, or to intelligence or surveillance activities or operations of any other department or agency of the Federal Government shall be referred to the Joint Committee.

(2) No funds may appropriated for the purpose of carrying out any intelligence or surveillance activity or operation by any office, or any department or agency of the Federal Government, unless such funds for such activity or operation have been specifically authorized by legislation enacted after the date of enactment of this Act.

(3) No bill or resolution, and no amendment to any bill or resolution, and no matter contained in any bill or resolution, in either House, dealing with any matter which is within the jurisdiction of the Joint Committee shall be considered in that House unless it is a bill or resolution which has been reported by the Joint Committee of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution. Nothing in this subsection shall be construed to deprive any committee of either House from exercising legislative oversight with respect to intelligence and surveillance activities and operations related to the jurisdiction of such committee.

(4) Members of the Joint Committee who are Members of the Senate shall from time to time report to the Senate, and members of the Joint Committee who are Members of the House of Representatives shall from time to time report to the House, by bill or otherwise, their recommendations with respect to matters within the jurisdiction of their respective Houses and which are referred to the Joint Committee or otherwise within the jurisdiction of the Joint Committee.

ADMINISTRATIVE POWERS

SEC. 4. (a) The Joint Committee, or any subcommittee thereof, is authorized, in its discretion: to make expenditures; to employ personnel; to adopt rules respecting its organization and procedures; to hold hearings; to sit and act at any time or place; to subpena witnesses and documents; with the prior consent of the Federal department or agency concerned, to use on a reimbursable basis the services of personnel, information, and facilities of any such department or agency; to procure printing and binding; to procure the temporary services (not in excess of one year) or intermittent services of individual consultants, or organizations thereof, and to provide assistance for the training of its professional staff, in the same manner and under the same conditions as a standing committee of the Senate may procure such services and provide such assistance under subsections (i) and (j), respectively, of section 202 of the Legislative Reorganization Act of 1946; and to take depositions and other testimony.

(b) Subpenas may be issued over the signature of the chairman of the Joint Committee or by any member designated by him or the Joint Committee, and may be served by such person as may be designated by such chairman or member. The chairman of the Joint Committee or any member thereof may administer oaths to witnesses. The provisions of sections 102–104 of the Revised Statutes (2 U.S.C. 192–194) shall apply in the case of any failure of any witness to comply with a subpena or to testify when summoned under authority of this subsection.

CLASSIFICATION OF INFORMATION

SEC. 5. The Joint Committee may classify information originating within the committee in accordance with standards used generally by the executive branch for classifying restricted data or defense information.

RECORDS OF JOINT COMMITTEE

SEC. 6. The Joint Committee shall keep a complete record of all Joint Committee actions, including a record of the votes on any question on which a record vote is demanded. All records, data, charts, and files of the Joint Committee shall be the property of the Joint Committee and shall be kept in the offices of the Joint Committee or such other places as the Joint Committee may direct.

EXPENSES OF JOINT COMMITTEE

SEC. 7. The expenses of the Joint Committee shall be paid from the contingent fund of the Senate from funds appropriated for the Joint Committee, upon vouchers signed by the chairman of the Joint Committee or by any member of the Joint Committee authorized by the chairman.

INTRODUCTION

This report is submitted at Senator Baker's request to summarize the highlights of an investigation of CIA activity, if any, in connection with the Watergate incident and aftermath. It is based on material in the possession of the Committee, both classified and unclassified. It does not attempt to deal with all the matters deemed pertinent and important to a full and complete inquiry, but is designed to generally describe the areas of interest and concern pursued during the staff investigation and executive session interviews

since the conclusion of the Committee's public hearings.

In view of the fact that the Committee has chosen to have no further public hearings; that the Committee staff is in the process of being reduced in size; that further cooperation by the Agency seems more likely on the request of the standing jurisdictional committees rather than on the request of the Watergate Committee, and that the total buden of additional work to complete the investigation thoroughly is probably beyond the competence of the remaining staff in terms of numbers and time, Senator Baker requested that this memorandum be prepared for submission to the full Committee for further disposition as the Committee may determine. It is pointed out that, while the report itself is not classified, it makes reference to, and in some instances quotes from, material which is classified. Therefore, each copy of this report has been treated for security purposes as if it were classified. They are numbered and accounted for as in the case of classified material.

The report is broken down into seven categories, tabbed as follows:

(1) *Background:* A recitation of the first references to CIA connections on the part of the Watergate burglars, reference to the possibility of CIA involvement by the President in his speech of May 22, 1973, and certain other published information and correspondence.

(2) *Mullen:* The fact that the Mullen Company and its president, Bob Bennett, had an established relationship with the CIA is described in some detail in this section of the report. Most of the information contained in this section was discovered after Volume IV was requested by Senator Baker. The CIA arranged to release this volume and subsequent documents to the Watergate Committee in the custody of George Murphy serving as security officer for the Committee through an arrangement with the Joint Committee on Atomic Energy.

(3) *Pennington:* This section derives from a CIA supplied memorandum dated February 22, 1974, from the then Director of Security, detailing the information that Lee R. Pennington, a CIA operative, had entered James McCord's house and/or office shortly after the Wategate breakin for the purpose of destroying evidence of a CIA connection with McCord.

(4) *Tapes:* This section derives from information supplied to Senator Baker by Director Colby that there was a central taping capability at the CIA; that the tapes had been destroyed, and the possibility that some of the tapes may have been Watergate related. Director Colby stated that he did not know whether Watergtae related tapes had been destroyed.

(5) *TSD:* The initials stand for Technical Services Division of the Central Intelligence Agency, and the section deals with rather extensive contacts between Hunt and the Agency and the support supplied by the Agency to Hunt and Liddy, which was used in a wide variety of undertakings. A number of factual discrepancies appear in this section which cannot be effectively reconciled on the basis of the information we now possess—such as Hunt's receipt of certain Agency technical assistance and contemporaneous participation in the preparation of the Ellsberg psychiatric profile.

(6) *Martinez:* This tab refers to Eugenio Martinez, one of the Watergate burglars. The section delineates the Martinez-Agency relationship, Hunt's early activities in Miami, the actions taken or not taken by the Agency's office in Miami, and certain unresolved questions.

(7) *Recommendations:* The seventh tab is self-explanatory and constitutes the recommendations of the staff for further inquiry.

BACKGROUND

In a speech on May 22, 1973, President Nixon stated in part the following in connection with the Watergate matter:

"Within a few days, however, I was advised that there was a possibility of CIA involvement in some way.

"It did seem to me possible that, because of the involvement of former CIA personnel, and because of some of their apparent associations, the investigation could lead to the uncovering of covert CIA operations totally unrelated to the Watergate break-in.

"In addition, by this time, the name of Mr. Hunt had surfaced in connection with Watergate, and I was alerted to the fact that he had previously been a member of the special investigations unit in the White House. Therefore, I was also concerned that the Watergate investigation might well lead to an inquiry into the activities of the special investigations unit itself."

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"I also had to be deeply concerned with insuring that neither the covert operations of the CIA nor the operations of the special investigations unit should be compromised. Therefore, I instructed Mr. Haldeman and Mr. Ehrlichman to insure that the investigation of the break-in not expose either an unrelated covert operation of the CIA or the activities of the White House investigations unit—and to see that this was personally coordinated between General Walters, the Deputy Director of the CIA, and Mr. Gray at the FBI."

One of the matters to which the President was evidently referring was explored by Senator Baker in his questioning of John Ehrlichman when Ehrlichman appeared before the Select Committee on July 26, 1973. Ehrlichman was questioned with regard to missing paragraph five of a memo from Egil Krogh and David Young to John Ehrlichman dated August 11, 1971.[1]

This was the same matter which had been brought to the attention of the Minority staff in July of 1973 which resulted in a briefing of Senator Ervin, Senator Baker, Sam Dash, and Fred Thompson by White House Counsels Fred Buzhardt and Leonard Garment. The subject of that briefing is what is now referred to as the "Admiral Moorer-Yeoman Radford Incident."

With regard to involvement of the CIA in the Watergate affair, it should be noted that since June 17, 1972, there have been numerous newspaper articles pointing out the fact that many of those involved in the Watergate break-in were former CIA employees; that CIA equipment was used by Hunt, and other possible CIA links to Watergate.

In the September 14, 1973, issue of the *National Review*, Miles Copeland wrote an article entitled "The Unmentionable Uses of a CIA"[2], suggesting that McCord led the Watergate burglars into a trap.

In the November, 1973, issue of *Harper's* Magazine, an article entitled "The Cold War Comes Home"[3], By Andrew St. George, indicated strongly that former CIA Director Helms had prior knowledge of the Watergate break-in. As a result of the St. George allegation, Senator Baker asked Senator Symington and the Senate Armed Services Committee to conduct the inquiry into those allegations. The Senate Armed Services Committee held hearings on this matter and heard testimony from CIA officials that the Agency was not knowledgeable on the Watergate break-in before it occurred; had not led the burglars into a trap; and, that the magazine allegations had no basis in fact.

It would appear that no information relative to this Committee's mandate was developed from the testimony adduced during the hearings before the Senate Armed Services Committee on the St. George matter.

However, in the aftermath of the St. George inquiry, Senator Baker propounded a number of questions to the CIA on November 8, 1973, one of which follows:

7. Question: On or after June 17, 1972, did any of the individuals associated with these break-ins in any way communicate with any individual associated with CIA to discuss the Watergate break-ins or the Ellsberg psychiatrist office break-in, other than Mr. McCord who wrote letters to CIA which are part of the Watergate hearing record?

Answer: On 10 July 1972 an officer of a commercial concern communicated to an employee of CIA information which had come to his attention concerning the "Watergate Five." The relationship of this informant and his company to the Agency was and is classified. Since this information was hearsay, contained a repetition of then current published speculation, and indicated that the informant had appeared before the Grand Jury on the matter, no action was taken. The employee's hand-written memorandum for the record on this matter is contained in sensitive material which Agency officers have made available for review, but not retention, by the staffs of the four CIA Subcommittees as well as the staffs of the Senate Select Committee on Presidential Campaign Activities and the Federal Prosecutor. Aside from this, the Agency had no communication of the type referred to in this question.

An examination of the aforementioned "sensitive material"[4] revealed more than was theretofore known about the scope of the CIA's dealings with Robert Bennett and Mullen and Company and led to a further intensification of the staff's investigative efforts in other CIA-related areas.

ROBERT BENNETT AND THE MULLEN AND CO.

The Mullen and Company has maintained a relationship with the Central Intelligence Agency since its incorporation in 1959.[1] It provided cover for an agent in Europe and an agent in the Far East at the time of the Watergate break-in.[2]

Hunt left the CIA in 1970 and joined Mullen and Company with what founder Robert Mullen understood to be Director Helms' blessing.[3] Hunt's covert security clearance was extended by the CIA [4]; he was witting of

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[1] *See* Public Testimony of John Ehrlichman dated July 26, 1973, at 2702–2704.

[2] *National Review*, September 14,, 1973, "The Unmentionable Uses of a CIA," at 996.

[3] *Harper's* Magazine, November, 1973, "The Cold War Comes Home," at 82.

[4] This material was produced as a part of Volume IV of the documents furnished to us by the CIA.

[1] Executive Session Testimony of Robert R. Mullen, February 5, 1974, at 3.

[2] Executive Session Testimony of Robert F. Bennett, February 1, 1974, at 25–26; Executive Session Testimony of (Mullen and Company Case Officer), February 4, 1974, at 5.

[3] CIA Memorandum, undated, Subject: Wrap-Up of Agency's Association with Robert R. Mullen and Company, found at Tab 3 of CIA Supplemental Material, Volume III, at 3; Executive Session Testimony of Robert R. Mullen, *supra* note 1, at 8; Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 67.

[4] *See* Memorandum for Deputy Director for Plans, October 14, 1970; Subject: E. Howard Hunt—Utilization by Central Cover Staff, found at Tab 16, CIA Supplemental Materials, Volume II.

the Mullen cover[5]; and, on occasion he undertook negotiations with the Agency with respect to that cover—even after becoming employed at the White House (according to Agency records).[6]

Robert Bennett, who is Senator Bennett's son, joined Mullen and Company and became its President in 1971. He was introduced to the Mullen CIA case officer in April of last year.[7] Bennett brought the Hughes Tool account with him to Mullen.[8] CIA records indicate that Agency consideration was given to utilizing Mullen's Hughes relationship for a matter relating to a cover arrangement in [South America], and to garner information on Robert Maheu.[9]

Bennett's accessibility to the CIA has raised questions concerning possible Agency involvement in, or knowledge of, Bennett's activities in regard to Hunt/Liddy, to wit: Mott interview regarding Chappaquidick;[10] Bennett coordinated the release of Dita Beard's statement from Denver, after contacting Beard's attorneys at the suggestion of a Hughes executive;[11] Bennett suggested that Greenspun's safe contained information of interest to both Hughes and the CRP;[12] Bennett asked for and received from Hunt a price estimate for bugging Clifford Irving for Hughes;[13] Bennett coordinated the employment of political spy Tom Gregory by Hunt and *discussed with Gregory the latter's refusal to proceed with bugging plans on or about June 16, 1972.*[14] Bennett received a scrambler from Hughes personnel for use on Mullen telephones;[15] Bennett and Liddy set up dummy committees as a conduit for Hughes campaign contributions;[16] and *Bennett served as the point of contact between Hunt and Liddy during the two weeks following the Watergate break-in.*[17] Futhermore, Robert Oliver, Mullen's Washington lobbyist for Hughes Tool, is the father of R. Spencer Oliver, Jr., whose telephone was tapped at the Democratic National Committee. Bennett met with the Olivers after the break-in to discuss the bugging.[18]

The true nature of Bennett's relationship to the CIA was not known to us until late November of 1973 when, at Senator Baker's request, the CIA produced another volume of CIA documents (Volume IV). The following information was adduced from this volume.

On July 10, 1972, Bennett reported detailed knowledge of the Watergate incident to his CIA case officer. The case officer's report of this meeting was handwritten[19] and carried to Director Helms on or before July 14, 1972, in this form because of the sensitivity of the information.[20] It revealed that Bennett had established a "back door entry" to E. B. Williams, the attorney for the DNC, in order to "kill off" revelations of the Agency's relationship with the Mullen and Company in the course of the DNC lawsuit. He agreed to check with the CIA prior to contacting Williams.[21] Our staff has confirmed that Bennett did funnel information to Williams via attorney Hobart Taylor and *that this information was more extensive than the information Bennett had previously provided the Grand Jury.*[22] *The CIA has acknowledged paying one-half of Bennett's attorney fee for his Grand Jury appearance.*[23]

Although Bennett was supplying information to the CIA about many aspects of the Watergate incident and was at that time serving as liaison between Hunt and Liddy, there is no indication that these facts were disclosed to the FBI.

The aforementioned July 10 report contains mysterious reference to a "WH flap."[24] The report states that if the Mullen cover is terminated, the Watergate could not be used as an excuse.[25] It suggests that the Agency might have to level with Mullen about the "WH flap."[26] Nonetheless, a July 24, 1972 contact report shows that the CIA convinced Robert Mullen of the need to withdraw its Far East cover through an "agreed upon scenario" which included a falsified Watergate publicity crisis.[27] The Agency advises that the "WH flap" has reference to a (deletion at Agency request) that threatened to compromise Western Hemisphere operations,[28] but has not explained sufficient reason to withhold such information from Mullen nor explained the significance of same to Watergate developments.

This Agency explanation is clouded by conflicting evidence. The Assistant Deputy Director of Plans has testified that he is very familiar with the matter and that it had no unique effect on Mullen's cover.[29] The Mullen case officer testified that the flap concerned cover.[30] Bennett, who thought the reference concerned a "White House flap," did advise of information received from the European cover that a (compromise) adversely affected a former Mullen cover (deleted at Agency request).[31]

A memorandum drafted by the Chief of the Central Cover Staff, CIA, on March 1, 1973, notes that *Bennett felt he could handle the Ervin Committee if the Agency could handle Hunt.*[32] Bennett even stated that he had a friend who had intervened with Ervin on the matter.[33] The same memorandum suggests that Bennett took relish in implicating Colson in Hunt's activities in the press while protecting the Agency at the same time.[34] It is further noted that Bennett was feeding stories to Bob Woodward who was "suitably grateful"; that he was making no attribution to Bennett; and that he was protecting Bennett and Mullen and Company.[35]

PENNINGTON MATTER

The results of our investigation clearly show that the CIA had in its possession, as early as June of 1972, information that one of their paid operatives, Lee R. Pennington, Jr., had entered the James McCord residence shortly after the Watergate break-in and destroyed documents which might show a link between McCord and the CIA. This information was not made available to this Committee or anyone else outside the CIA until February 22, 1974, when a memorandum by the then Director of Security was furnished to this Committee.[1]

The evidence further shows that in August of 1972, when the FBI made inquiry about a "Pennington," *the Agency response was to furnish information about a former employee, (with a similar name), who was obviously not the man the FBI was interested in, and to withhold the name of Lee R. Pennington, Jr.*[2]

The Pennington information was known within the CIA at least at a level as high as the Director of Security, according to the (former Chief of the Security Research Staff,

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[5] *Id.;* Executive Session Testimony of Robert R. Mullen, *supra* note 1, at 9.

[6] Executive Session Testimony of (Former Deputy Director of Plans, hereinafter DDP), February 5, 1974, at 6–10; CIA Memorandum, undated, Subject: Wrap-Up of Agency's Association with Robert R. Mullen and Company, *supra* note 3, at 2.

[7] Executive Session Testimony of (Mullen and Company Case Officer), *supra* note 2, at 12.

[8] Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 132.

[9] See [Mullen and Company Case Officer] Memorandum for Record, April 30, 1971, Subject: Association of Robert R. Mullen and Company with the Hughes Tool Company. This document is found at Tab 16, Supplemental CIA Material, Volume II.

[10] Executive Session Testimony of E. Howard Hunt, December 18, 1973, at 69–70; Executive Session Testimony of Robert F. Bennett, *supra,* note 2, at 62–65.

[11] Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 93–94.

[12] Executive Session Testimony of E. Howard Hunt, *supra* note 19, at 6–8; *But see* Executive Session Testimony of Robert E. Bennett, *supra* note 2, at 79–84. Bennett indicates that Hunt suggested Bennett coordination with Hughes.

[13] Executive Session Testimony of E. Howard Hunt, *supra* note 10, at 72–73; Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 121–124.

[14] Staff Interview of Thomas J. Gregory, September 1, 1973, at 5; Executive Session Testimony of E. Howard Hunt, *supra* note 10, at 17; Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 69–75.

[15] Staff Interview of Linda Jones, September 6, 1973, at 3; Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 140.

[16] Staff Interview of Linda Jones, *supra* note 15, at 9; *See* Summarized Highlights of Linda Jones Interview, dated September 10, 1973.

[17] Staff Interview of Linda Jones, *supra* note 15, at 8; Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 153–157.

[18] Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 100–101.

[19] (Mullen and Company Case Officer) Memorandum for Record, July 10, 1972, Subject: Meeting with Robert Foster Bennett and his comments concerning E. Howard Hunt, Douglas Caddy, and the "Watergate Five" Incident (sic), found in CIA Supplemental Material, Volume IV.

[20] Executive Session Testimony of (Mullen and Company Case Officer), *supra* note 2, at 20–21, 28–29.

[21] (Mullen and Company Case Officer) Memorandum for Record, *supra* note 19, at 11–12.

[22] Robert F. Bennett, Memorandum for Record, dated January 18, 1973, at 17; Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 129. *See also* Hobart Taylor Interview Report, dated February 11, 1974.

[23] CIA Memorandum, undated, Subject: Wrap-Up of Agency's Association with Robert R. Mullen and Company, *supra* note 3, at 5.

[24] (Mullen and Company Case Officer) Memorandum for Record, supra note 19, at 13–14.

[25] *Id.* at 12–13.

[26] *Id.* at 13.

[27] (Mullen and Company Case Officer) Memorandum for Record, July 24, 1972, Subject: Withdrawal (Far East) Cover, found in CIA Supplemental Material, Volume V, at 1–2.

[28] Executive Session Testimony of (DDP), supra note 6, at 39; Executive Session Testimony of (Mullen and Company Case Officer), supra note 2, at 43.

[29] Executive Session Testimony of (Former Assistant Deputy Director of Plans), February 28, 1974, transcript not presently available.

[30] Executive Session Testimony of (Mullen and Company Case Officer), *supra* note 2, at 43.

[31] Executive Session Testimony of Robert F. Bennett, *supra* note 2, at 17–24.

[32] (———) Memorandum for Deputy Director for Plans, March 1, 1973, Subject: Current *Time Magazine* Investigation of Robert R. Mullen & Company Connection with the Watergate Incident, found in CIA Supplemental Material, Volume IV, at 4.

[33] *Id.*

[34] *Id.*

[35] *Id.*

[1] *See* "Memorandum for Director of Intelligence," February 22, 1974, Exhibit 1 to the Executive Session Testimony of Lee R. Pennington, February 23, 1974.

[2] Executive Session Testimony of (Personnel Security Officer No. 1,) February 25, 1974 at 11–14, 15, 17–18; Executive Session Testimony of (Assistant Deputy Director of Personnel Security), March 2, 1974 (transcription not presently available.)

hereinafter referred to as Chief, Security Research Staff), by whom Pennington was retained at $250 per month until December of 1973.[3] In January of this year (Director of Security), ordered that the Pennington materials be removed from the CIA Watergate files when those files were about to be reviewed by the CIA's Inspector General's office in connection with the CIA furnishing this and other Congressional committees certain information on the taping capacity at the CIA.[4] Our information is that, since the revelation of the Pennington matter in February of this year, (Director of Security's) early retirement has been "accepted."[5]

It seems that the Pennington matter was extremely sensitive not only because of the above-mentioned facts, but because Pennington may have been a "domestic agent," possibly in violation of the CIA's charter.[6] The Agency has advised that the Security Research Staff was abolished in August of 1973.[7]

All of the above information was produced by the CIA only as a result of the position taken by a staff employee of the Personnel Security Division, [Personnel Security Officer #1. Because of the Senator's and the staff's request for documentation and information relating to the destruction of CIA tapes and other matters, Deputy Legislative Counsel prepared a statement for Director Colby's signature on February 19, 1974. In it was the blanket assertion that the CIA had produced all Watergate-related information for this Committee as well as its Congressional oversight committees.[8] Because he was aware of many of the above facts, (Personnel Security Officer #1) made it clear that he could not and would not subscribe to such a statement.[9] *(Personnel Security Officer #1) was so concerned that the documentary evidence of the Pennington information would be destroyed by others in the CIA that he and a co-employee copied the relevant memoranda and placed them in their respective personal safes.*[10] This matter was subsequently brought to the Inspector General's attention and the (Director of Security's) memorandum of February 22 was drafted and made available to this Committee, the oversight committees, and the special Prosector's office.[11]

Our investigation in this area also produced the fact that, contrary to previous CIA assertions, the CIA conducted a vigorous in-house investigation of the Watergate matter, starting almost immediately after the break-in.[12] *As one member of the Security Research Staff stated they were in a state of "panic."*[13] In November and December of 1972, (Executive Officer to Director of Security) was specially assigned to then Executive Director/Comptroller Colby to conduct a very secretive investigation of several Watergate-related matters. *(Executive Officer to Director of Security) was instructed to keep no copies of his findings and to make no records. He did his own typing and utilized no secretaries.*[14]

Less clear than the aforementioned efforts to suppress the Pennington information, is an understanding of Pennington's actual role or non-role in the destruction of documents at the McCord home shortly after the Watergate break-in. Pennington has testified that he did not go to the McCord home for the purpose of searching for or destroying CIA-related documents, but does acknowledge witnessing the destruction of documents by Mrs. McCord and others.[15] It is clear from the testimony of others[16] that the CIA received information, evidently from Pennington, indicating more active participation by operative Pennington.

TAPES

In a meeting in S-nator Baker's office with Director Colby and George Murphy, following a discussion of the Cushman tape, Murphy asked Colby if there were other tapes, and he replied in the affirmative. In response to a question from Senator Baker, Colby further acknowledged the prior existence of central taping capability at the CIA. Senator Baker then requested that relevant tapes be reviewed and delivered to the Committee, to which Colby agreed. Shortly thereafter, Colby confirmed to Senator Baker recent press accounts that the tapes had been destroyed. In that same connection it should be pointed out that the staff had previously interviewed Victor Marchetti, who stated upon questioning that he suspected that there was a central taping system at the CIA. When the staff broached this subject with the Agency's (Deputy Legisative Counsel) he stated that if there had been such a system, it was no longer in existence.

Shortly before Director Helms left office, and approximately one week after Senator Mansfield's letter requesting that evidentiary materials be retained,[1] *Helms ordered that the tapes be destroyed.*[2] Although the CIA is apparently unable to state with any degree of precision the date on which the tapes were actually destroyed, testimony indicates that it was during the week of January 22, 1973.[3] While the CIA claims that the destruction was not unusual and was one of several periodic destructions, two facts seem clear. First, the only other destruction for which the CIA has any record was on January 21, 1972, when tapes for 1964 and 1965 were destroyed (there are no records of periodic destruction);[4] and secondly, never before had there been a destruction of all existing tapes.[5] It should be noted that there exists a separate taping system for the Office of Security.[6] That system is still operative, and the O/S tapes presumably are still in existence. The Agency has advised that it has reviewed all Office of Security tapes, watch office tapes, and duty office tapes to determine the relevancy of same but has not provided these tapes to the Select Committee, despite the Committee's request. The Agency has provided the Committee with two selected transcripts which purport to constitute, in the opinion of the Agency, the only Watergate related material contained on any tapes.

The January, 1973, destruction pertained only to recordings of room conversations. However, on Helms' instruction, his secretary destroyed his transcriptions of both telephone and room conversations.[7] *The evidence*

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[3] Executive Session Testimony of (Chief, Security Research Staff) February 24, 1974, at 25–26; Executive Session Testimony of Lee R. Pennington, *supra* note 1, at 29. (*Note*: The Chief, Security Research Staff, was the recipient of certain of the McCord letters.)

[4] Executive Session Testimony of (Personnel Security Officer No. 1), *supra* note 2 at 46–49, 50–51, 52–54, 57–59, 69–72.

[5] The CIA, through its legislative liaison, has informed this Committee that (Director of Security) "retired" on or about February 26, 1974, shortly after his Executive Session Testimony before this Committee on February 25, 1974.

[6] *See* Executive Session Testimony of (Chief, Security Research Staff), *supra* note 3, at 25–26, 30; Executive Session Testimony of Lee R. Pennington, *supra* note 1, at 4–7, 10, 29. In this regard, Volume VIII CIA Supplemental Materials references an apparent CIA file on a United States citizen, Jack Anderson (#349691). This reference is contained in CIA memoranda in November and December of 1972 which discuss Pennington's providing his CIA case officer with a memorandum allegedly written by McCord about Jack Anderson and others. It should be noted that the CIA file on Mr. Fennington was not provided to this Committee and also apparently has portions "missing" from it, *see* Action Required section of this memorandum, *infra*, at Miscellaneous, No. 9.

[7] Executive Session Testimony of (Director of Security), February 25, 1974, at 17–18.

[8] Supplemental CIA Materials, Volume VIII; see also Executive Sesssion Testimony of (Personnel Security Officer #1), *supra* note 2, at 61–63.

[9] Executive Session Testimony of (Personnel Security Officer #1), *supra* note 2, at 45–52. In his Executive Session Testimony, (Personnel Security Officer #1) states that, at a meeting on January 22, 1974, to discuss whether the "Pennington matter" should be withheld from or disclosed to the appropriate authorities and Congressional committees, he informed his supervisory CIA personnel that (tr. 52):

"Up to this time we have never removed, tampered with, obliterated, destroyed, or done anything to any Watergate documents, and we can't be caught in that kind of bind now. We will not do it." (Personnel Security Officer #1) added that he "didn't cross the Potomac on (his) way to work in the morning, and that the Agency could do without its own L. Patrick Gray" (tr. 53). Subsequently, (Personnel Security Officer #1) prevailed and the information was made available to this and other appropriate Congressional Committees.

[10] Executive Session Testimony of (Personnel Security Officer #1), *supra* note 2, at 49, 45–52.

[11] See "Memorandum for Director of Central Intelligence," *supra*, note 1.

[12] Executive Session Testimony of (Personnel Security Officer No. 1), *supra* note 2, at 1–4; Executive Session Testimony of (Security Research Staff Officer), February 25, 1974, at 5, 31–32, 42, 49.

[13] Executive Session Testimony of (Security Research Staff Officer), *supra* note 12, at 5.

[14] Executive Session Testimony of (Executive Officer to Director of Security), March 3, 1974 (transcription not presently available).

[15] Executive Session Testimony of Lee R. Pennington, *supra* note 1.

[16] Executive Session Testimony of (Security Research Staff Officer), *supra* note 12;

Executive Session Testimony of (Personnel Security Officer 1), *supra* note 2.

Executive Session Testimony of (Chief, Security Research Staff), *supra* note 3.

[1] Letter from Senator Mansfield to DCI Helms, dated January 16, 1973.

[2] Executive Session Testimony of (Director Helms' Secretary), February 6, 1974, at 14. See also CIA memorandum for Director of Security, dated January 31, 1974, at 3. She states that she told the technicians to destroy only Helm's tapes and not all of the tapes (Executive Session Testimony at 34–35). However, there seems to have been no doubt in the minds of the technicians that they were to destroy all of the tapes on hand. Executive Session Testimony of (Office of Security Technician #1), February 6, 1974, at 23, Executive Session Testimony of (Office of Security Technician #2), February 6, 1974, at 53.

[3] Executive Session Testimony of (Office of Security Technician #2), *supra* note 2, at 36. See also CIA memorandum for Director of Security, *supra* note 2.

[4] Executive Session Testimony of (Office of Security Technician #1), *supra* note 2 at 10. Executive Session Testimony of (Office of Security Technician #2), *supra* note 2 at 36–37.

[5] Executive Session Testimony of (Office of Security Technician #2), *supra* note 2 at 20.

[6] CIA memorandum for Director of Security, *supra* note 2 at 4.

[7] Executive Session Testimony of (Director Helm's Secretary, *supra* note 2 at 14, 17, 19; Executive Session Testimony of Richard Helms, March 8, 1974 (transcription not yet available).

indicates that among those telephone transcriptions were conversations with the President, Haldeman, Ehrlichman, and other White House officials.[8] Helms and (Director Helm's Secretary) have testified that such conversations were non-Watergate related.[9] Unfortunately, any means of corroboration is no longer available. We have examined summaries of logs made available by the CIA, but it is impossible to determine who was taped in many of the room conversations. In this regard, even the CIA's analysis does not provide this vital information. There are several references to a "Mr. X." The CIA has not produced the actual logs for our examinations. However, we were informed that there are "gaps" in the logs.

The circumstances surrounding the transcriptions of room and telephone conversations of former Deputy Director Cushman are bizarre to say the least. When Cushman testified before the Watergate Committee on August 2, 1973, he presented a transcription of the Cushman/Hunt conversation of July 22, 1971.[10] We recently discovered that there exists an original, more complete transcription; that the original transcription contained an insignificant but uncomplimentary reference to the President; and, that the original was available to the CIA at the time of the Committee's hearings in August of 1973. *In fact, the original transcript was not produced until February of this year, the day before Senator Baker was to listen to the Cushman/Hunt tape, per his request.*

The Cushman/Hunt conversation and one other were the only two room transcriptions saved by Cushman's secretary, (presently Director Colby's Secretary, hereinafter referred to as Cushman/Colby's Secretary), and his assistant (Executive Assistant to Deputy Director of CIA, he hereinafter referred to as Exec. Asst. to DDCI), when Cushman's safe was cleaned out in December of 1971.[11] They claimed that they made a search for the original transcription shortly after the Watergate break-in but that it was not found, and therefore an abbreviated transcription was typed.[12] Therefore, we have a search by (Exec. Asst. to DDCI) shortly after the Watergate break-in in June of 1972 and another search in May of 1973, the original transcript not having been found until May of 1973.

In February of this year (Deputy Legislative Counsel) hand-delivered to Senator Baker a very significant document. It was the transcription of a portion of the Ehrlichman/Cushman telephone conversation. (Deputy Legislative Counsel) stated it had been recently discovered by (Exec. Asst. to DDCI).[13] *It was discovered during (Exec. Asst. to DDCI's) third search for Watergate-related materials, and it was located in the same file as the Cushman/Hunt transcript.*[14]

The document is especially significant in that it quotes Ehrlichman as saying that Hunt was working for the President and that the CIA was to give Hunt "carte blanche." This, of course, substantiates the CIA's claim that Ehrlichman made the original call with regard to the CIA's assistance to Hunt. Surprisingly, we learned that *(Cushman/Colby Secretary), although she says she was told that Mr. Cushman did not have his calls monitored, did, in fact, monitor certain of his calls anyway, especially with people at the White House, without Cushman's knowledge.*[15] The Cushman/Ehrlichman transcript was a result of the shorthand notes she took of a monitored call.[16]

There are two interesting aspects to this transcription. First, only the Ehrlichman portion of the conversation was transcribed, contrary to normal practice;[17] and secondly, Cushman does not recall any reference to the President or to "carte blanche."[18]

HUNT—TSD SUPPORT—ELLSBERG PROFILE

The Committee has received much testimony over the past several months detailing the extensive support of Howard Hunt by CIA personnel with CIA materials and the CIA's role in the preparation of the psychological profiles of Daniel Ellsberg. Howard Hunt was involved in a wide variety of domestic undertakings with the use of CIA equipment and the assistance of CIA personnel, *e.g.*, the burglaries of Dr. Fielding's office and the DNC, the preparation of psychological profiles on Daniel Ellsberg and the investigation of the Chappaquidick incident. *In light of the facts and circumstances developed through the documents and conflicting testimony of CIA personnel adduced by this Committee, which are summarized below, the question arises as to whether the CIA had advance knowledge of the Fielding break-in.* The Fielding burglary was not made public until May of 1973.

While the CIA has previously belatedly acknowledged some of the technical support it provided to Hunt and Liddy prior to the Fielding break-in, the CIA has continually downplayed the extent of that technical support as well as the specific approval and detailed knowledge of such support by high level CIA officials.[1] The scenario of events culminating in the Fielding break-in caused a wealth of conflicting testimony among CIA officials as referred to hereinafter.

The CIA's assistance to Hunt began on July 22, 1971, when Hunt met with General Cushman, then Deputy Director of the CIA, in Cushman's office to request physical disguise and phony identification to effect a "one time operation, and out."[2] This meeting was tape recorded by Cushman. Thereafter, pursuant to the specific approval of both Cushman and then Director of the CIA Richard Helms, a member of the CIA's Technical Services Division was assigned to provide Hunt with the assistance and materials he requested.[3] During the next thirty days, the CIA technical staff met with Hunt on four separate occasions. Most meetings were held at CIA "safe houses" (dwellings owned or leased by the CIA for clandestine meetings).[4] At those meetings Hunt was provided with the CIA equipment and assistance described in earlier Committee testimony, i.e., a wig, voice alteration devices, heel lift to cause a limp,[5] fake glasses, phony driver's licenses and identification cards, a Uher 5000 tape recorder disguished in a typewriter case, a camera hidden in a tobacco pouch, preliminary steps toward a phony New York telephone answering device, and the developing of the film of Hunt and Liddy's reconnaissance trip to Los Angeles to "case" Dr. Fielding's office.[6] This assistance was abruptly terminated on August 27, 1971—one week before the Fielding burglary of September 3, 1971.[7]

Recent testimony and documents have developed several matters of considerable import with regard to the assistance provided Hunt and Liddy. The technician who dealt with Hunt has testified that he received approval for each and every request of Hunt from his supervisory officials at the CIA.[8] He also testified that, contrary to earlier and other CIA testimony, Hunt informed him early in August that he would be introducing a second man (Liddy) to the technician for the provision of disguise and false identification.[9] CIA officials heretofore had claimed that Hunt introduced Liddy unannounced late in August and that this introduction had been one of the leading causes for the CIA's ultimate termination of its support for Hunt.[10]

Testimony and documents have also revealed, again contrary to the testimony of high CIA officials, that Hunt's request for a New York "backstopped" telephone (a telephone with a New York number which would in reality be answered by a Washington CIA switchboard) answering service was well on its way to completion.[11] A detailed memorandum of the TSD technician, dated August 27, 1971, reveals that the backstopped telephone request was about to be implemented.[12] This memorandum includes the actual relay number to be called. Previous CIA testimony had always been to the effect that this telephone request was so unreasonable that it was immediately disapproved

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[8] Executive Session Testimony of (Director Helm's Secretary), *supra* note 2 at 22.

[9] Executive Session Testimony of Helms, *supra* note 7; Executive Session Testimony of (Director Helm's Secretary), *supra* note 2 at 23.

[10] Public Testimony of General Robert E. Cushman at 3291.

[11] Executive Session Testimony of (Cushman/Colby Secretary), February 21, 1974.

[12] Id. at 64; *see also* memorandum of (Exec. Asst. to DDCI), July 23, 1973, Supplemental CIA Mterials, Volume IV.

[13] *See* Ehrlichman/Cushman tape transcription, CIA memorandum "For All Employees" dated January 31, 1974, at Tab B.

[14] Affiidavit of (Exec. Asst. to DDCI), February 5, 1974, and Executive Session Testimony of (Exec. Asst. to DDCI), March 6, 1974 (transcription not yet available).

[15] Executive Session Testimony of (Cushman/Colby Secretary), *supra* note 11 at 12–13.

[16] *Id.* at 17, 18.

[17] *Id.* at 80–81.

[18] Executive Session Testimony of General Robert E. Cushman, March 7, 1974 (transcription not yet available).

[1] *See* affidavits of Cushman (Exec. Asst. of DDCI), and (Deputy Chief, TSD), Original CIA Materials, Volume II, Tab D.

[2] Partial tape transcript of July 22 meeting, Original CIA Materials, Volume II, Tab K, at 1; *see also* Cushman's affidavit, *id.*, and complete unabridged tape transcript of July 22 meeting, CIA Supplemental Materials, Volume II, Tab 4.

[3] *See* Executive Session Testimony of General Robert E. Cushman, March 7, 1974, at 10, 12; *contra*, Executive Session Testimony of Richard Helms, March 8, 1974, and Testimony of Richard Helms before the Senate Committee on Appropriations, May 16, 1973, at 195–196.

[4] *See* Executive Session Testimony of (TSD Technician # 1), February 5 and 6, 1974, at 3–25 (February 5 tr.), and Exhibit 1 to that testimony (notes of (TSD Technician #1) compiled contemporaneously with the support of Hunt) also found in CIA Supplemental Materials, Volume VII, Tab 8.

[5] Staff interview with Howard Hunt, February 4, 1974.

[6] Public Testimony of Richard Helms and General Robert E. Cushman, August 2, 1973; affidavits of (TSD Technician #1, TSD Technician #2, Deputy Chief, TSD, and Exec. Asst. to DDCI), Original CIA Materials, Volume II, Tab D.

[7] *Id.*

[8] Executive Session Testimony of (TSD Technician #1), *supra* note 4 at 10 (February 6 tr.), at 57 (February 5 tr.).

[9] *Id.* at 55–57 (February 5 tr.); *see also* notes referred to in note 4, *supra*.

[10] Affidavits of (Exec. Asst. to DDCI), (Deputy Chief, TSD), Cushman, *supra* note 1; *memoranda* (of Exec. Asst. to DDCI) dated August 23, 26, and 30, Original CIA Materials, Volume II, Tab K; *compare* Executive Session Testimony of (TSD Technician #1), *supra* note 4 at 55–56 (February 5 tr.) *with* Executive Session Testimony of (Deputy Chief, TSD), February 5, 1974, at 24.

[11] Executive Session Testimony of (TSD Technician #1), *supra* note 4 at 8–10, 12 (February 6), and Exhibit 1 to (TSD Technician #1)'s testimony at 5, which details the steps taken by the CIA to implement Hunt's request.

[12] *Id.*

and that it was also a leading cause of the ultimate termination of Hunt's support.[13]

Recent testimony also established that the CIA created a file on Hunt's activities entitled the "Mr. Edward" file. This file was maintained outside the normal CIA filing system, and this Committee's requests to obtain this file have not been granted, despite the fact that testimony has established that this file was turned over to Director Colby after the Watergate break-in.[14] Moreover, recent testimony also indicates that a "bigot list" (CIA term for treatment of especially sensitive case restricting access to a limited number of persons) was created for Hunt's activities.[15]

Testimony has indicated that the film developed for Hunt and Liddy was, in fact, of Dr. Fielding's office.[16] Not only was the film developed, however, but it was reviewed by CIA supervisory officials before it was returned to Hunt.[17] One CIA official who reviewed the film admitted that he found the photographs "intriguing" and recognized them to be of "southern California."[18] *He then ordered one of the photographs to be blown up. The blow-up revealed Dr. Fielding's name in the parking lot next to his office.*[19] Another CIA official has testified that he speculated that they were "casing" photographs.[20] Recent testimony has shown that *the CIA official who reviewed these photographs immediately reported their content to Cushman and his assistant in the office of the Deputy Director of the CIA.*[21] With a degree of incredulity, however, he denies telling his superiors that he blew up one of the photographs and that it revealed the name of Dr. Fielding.[22] Moreover, both Cushman and his assistant denied ever having been told about the content of the photographs by (Deputy Chief, TSD) or anyone else.[23] In any event, recent testimony shows that it was only after these photographs were developed and examined that the CIA technician dealing with Hunt was ordered to cut off all support for Hunt.[24] This decision was made by the Deputy Director of the CIA (Cushman) and/or the Director of the CIA (Helms).[25]

Finally, while previous public CIA testimony claimed that the CIA "had no contact whatsoever with Mr. Hunt subsequent to 31 August, 1971,"[26] recent testimony and secret documents indicate that Hunt had extensive contact with the CIA after that date. Not only did Hunt play a large role in the CIA's development of psychological profiles on Daniel Ellsberg (not completed until November of 1971), but he actually contacted the CIA's External Employment Assistance Branch (EEAB) and approached active CIA personnel regrading several operations, including, e.g., Hunt's requests to the CIA for person(s) skilled in lockpicking, electronic sweeping, and entry operations.[27]

It is significant that during the same period as the ongoing support of Hunt by the CIA, August of 1971, the CIA was also compiling a psychological profile on Daniel Ellsberg. Recent testimony has revealed that Hunt was deeply involved in that project as well.

The preparation of this profile was specifically approved by then Director Helms in late July of 1971.[28] The actual compiling of the profile was done by the CIA's medical services staff and, in particular, its chief psychiatrist.[29] Testimony has indicated that a meeting was held on August 12, 1971, in which both Howard Hunt and Gordon Liddy participated. They told the CIA psychiatrist that Ellsberg had been undergoing psychiatric analysis. Hunt and Liddy discussed with him their desire to "try Ellsberg in public," render him "the object of pity as a broken man," and be able to refer to Ellsberg's "Oedipal complex."[30] *At the close of the meeting, Hunt asked the psychiatrist not to reveal his presence in the profile discussions to anyone at the CIA, stating that he already had been in contact with General Cushman and was on good terms with Director Helms. The psychiatrist has testified recently that he was extremely concerned about Hunt's presence and remarks. He so reported this to his CIA superiors, both in memoranda and in a meeting on August 20, 1971. Access to the memoranda of both the psychiatrist and his superiors has been refused to this Committee.*[31]

The CIA psychiatrist also was given the name of Dr. Fielding as Elisberg's psychiatrist and numerous FBI reports of interviews with Ellsberg's associates, as well as a memorandum of a reported telephone conversation between Ellsberg and another party,[32] and *recent testimony has revealed that it was reported back to the psychiatrist that Director Helms was advised of his concerns regarding Hunt's participation and comments.*[33] While Director Helms has denied that he was ever told that Hunt was involved in the CIA's Ellsberg profile project,[34] it is not without significance that the time period during which the CIA psychiatrist was briefing his superiors of his concerns regarding Hunt was circa August 20, 1971—a week prior to the developing of Hunt's film of "intriguing" photographs of medical offices in southern California which impressed at least one CIA official as "casing" photographs.[35]

With the aforementioned background, we are reminded that when the second profile on Ellsberg was completed (completion was delayed until November of 1971), Director Helms took pains to inform the White House that:

"I do wish to underline the point that our involvement in this matter should not be revealed in any context, formal or informal" (emphasis added).[36]

In his recent testimony before this Committee, Director Helms stated that the above quoted language represented his concern only for the professional reputations of the CIA psychiatrists and *not* any concern over

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[13] *See* affidavits of (Exec. Asst. to DDCI), (Deputy Chief, TSD), Cushman, and memoranda of (Exec. Asst. to DDCI), *supra* note 10; Executive Session Testimony of Cushman, March 7, 1974, at 10–21. Moreover, Executive Session Testimony of Richard Helms, *supra* note 3, indicates that it was Hunt's request for a secretary which caused him to order the cut-off of support. This request, however, occurred on August 18 and was denied the same or next day, *see* Executive Session Testimony of (Exec. Asst. to DDCI), March 6, 1974 (transcription not presently available), *contra*, testimony of Richard Helms before the Senate Committee on Appropriations, *supra* note 3, at 197.

[14] Executive Session Testimony of (Deputy Chief, TSD), February 5, 1974, at 14–15; Executive Session Testimony of (Chief, TSD), February 5, 1974, at 29–30.

[15] Executive Session Testimony of (TSD Technician #1), *supra* note 4, at 2–4 (February 6 tr.)

[16] Executive Session Testimony of (Executive Officer to Director of Security), March 3, 1974 (transcription not presently available); Staff interview of Howard Hunt, *supra* note 5 (wherein Hunt indicates that the film the CIA developed included shots of a "close-up of (Fielding's office) door, a close-up of the directory of (Fielding's) building, photographs of the ingress and egress of the parking lot . . ." as well as shots of the inside of Fielding's office, including the top of Fielding's desk.

[17] Executive Session Testimony of (TSD Technical #1), *supra* note 4 at 20–24, 52–53 (February 5 tr.); Executive Session Testimony of (Deputy Chief, TSD), *supra* note 14 at 43–47.

[18] Executive Session Testimony of (Deputy Chief, TSD), *supra* note 14 at 44.

[19] *Id.* at 45–46.

[20] Executive Session Testimony of (Chief, TSD), February 5, 1974, at 19–20.

[21] Executive Session Testimony of (Deputy Chief, TSD), *supra* note 14 at 47–49.

[22] *Id.*

[23] Executive Session Testimony of General Robert E. Cushman, March 7, 1974, at 22–23; Executive Session Testimony of (Exec. Asst. to DDCI), March 6, 1974 (transcription not presently available).

[24] Executive Session Testimony of (TSD Technical #1), *supra* note 4, at 59–60, and Exhibit 1 to that testimony.

[25] Executive Session Testimony of General Robert E. Cushman, March 7, 1974, at 21–22, 16–20; Executive Session Testimony of Richard Helms, March 8, 1974, *contra* (transcription not presently available).

[26] Lieutenant General Vernon A. Walters Memorandum for Record, July 28, 1972, Original CIA Materials, Volume I, Tab S.

[27] Contacts after August 31, 1974, indicated in the Secret Supplemental CIA Materials, include the following:

(a) Hunt was referred to (Former CIA employee) by (Chief, EEAB) of the CIA's EEAB, (Chief, EEAB) retired on June 9, 1972) when Hunt requested a "retired lockpicker" and entry man in the time period of March-May, 1972. CIA Supplemental Materials, Volume I, Tab 4, Memorandum of June 19, 1973.

(b) Hunt, in late 1971, requested some "'security types' to check physical security and monitor telephones in Las Vegas," in connection with Hunt's work on the Hughes account with Mullen and Company. Hunt was referred by (Chief, EEAB) to an (Agency proprietary (name deleted at Agency request) (CIA Supplemental Materials, Volume I, Tab 4.)

(c) Hunt contacted (deleted at Agency request) (an active CIA employee until November 10, 1972) sometime in late 1971 regarding a weekend entry operation.

(d) Hunt contacted CIA employee (deleted at Agency request) in October of 1971 concerning certain Indo-China War documents (Original CIA Materials, Volume II, Tab D).

(e) On December 8, 1971, Hunt requested and received a CIA computer name trace, by CIA employees, on a person who had allegedly formed the (deleted name of Latin American country at Agency request) National Independent Party in December of 1971 (Original CIA Materials, Volume II, Tab D).

(f) The CIA acknowledges that the Deputy Director of Plans of the CIA did meet with Hunt on October 15, 1971 to discuss Mullen and Company problems.

[28] Affidavit of (Deputy Director of Support, hereafter referred to as the DDS) and (Director of Medical Services Staff, hereinafter referred to as the DMSS) and (Chief of Psychiatric Staff on Medical Services Staff, hereinafter referred to as Chief Psychiatrist), Original CIA Materials, Volume I, Tab U; Volume II, Tab D.

[29] *Id.*

[30] Exexcutive Session Testimony of (Chief Psychiatrist), March 6, 1974 (transcription not presently available).

[31] *Id.*, see also Colby letter refusing access, *infra*.

[32] *Id.*

[33] *Id.*

[34] Executive Session Testimony of Richard Helms, *supra* note 3; Testimony of Richard Helms before the Senate Armed Services Committee, May 17, 1973, at 17.

[35] See Executive Session Testimony of (Chief, TSD), *supra* note 20.

[36] Memorandum from Richard Helms to David Young, November 9, 1971, Original CIA Materials, Volume II, Tab. J.

the possible illegality of the profile.[37] It should be noted, however, that in a memorandum from the psychiatrists' CIA supervisor to Helms in November of 1971, which accompanied the completed profile, their concern is expressed as follows:

"(DMSS) and (Chief Psychiatrist) . . . confirmed that their worries *did not* . . . *involve* professional ethics or credibility. Instead, they are concerned lest the Agency's involvement . . . become known and particularly that it might come to light during any proceeding. * * * We will be guided by your determination after you have had an opportunity to read the new paper." (Emphasis supplied.)[38]

The facts and circumstances related above, as derived from the recently curtailed investigation of this Committee, would appear to raise many unanswered questions as to the involvement of the CIA in matters outside its legislative parameters.

HUNT—MARTINEZ—CIA

Director Helms, upon being questioned about Martinez, has consistently testified to little more than the fact that Eugenio Martinez was on a $100 per month retainer with the CIA as an informant on Cubans of interest to the Agency.[1] Our investigation has revealed relevant information concerning Martinez' CIA relationship, as set out below, not previously brought forward in testimony by CIA officials.

Because of Hunt's close relationship with Martinez at a time when Martinez was a paid CIA operative, *the basic question arises as to whether the CIA was aware of Hunt's activities early in 1972 when he was recruiting Cubans to assist in the Watergate break-in.*

Prior to assuming a retainer status in the summer of 1971, Martinez had been a full-salaried operative involved in Agency [deleted at Agency request] endeavors.[2] In November of 1971, a month after his participation in the Fielding break-in, Martinez mentioned his contact with Hunt in an allegedly innocuous fashion to his case officer and the Miami Chief of Station.[3] There is also evidence that Martinez had mentioned Hunt even earlier to his case officer.[4] *In March of 1972, Martinez advised the Miami Chief of Station that Hunt was employed by the White House and asked the Chief of Station if he was sure that he had been apprised of all Agency activities in the Miami area.*[5] This concerned the Chief of Station who sent a letter to CIA headquarters requesting information on Hunt's White House status.[6] On March 27, 1972, the Chief of Station received a cryptic response at the direction of the Assistant Deputy Director of Plans advising the Chief of Station not to concern himself with the travels of Hunt in Miami, that Hunt was on domestic White House business of an unknown nature and that the Chief of Station should "cool it."[7] (It should be remembered that this was after the Agency provided Hunt with TSD support in July and August of 1971. It is not explained why Hunt, who had "used" the CIA, was not of more interest to the Agency, especially when he was contacting a current operative, Martinez.) The tone of this letter infuriated the Chief of Station and left him uneasy about the matter.[8] Accordingly, the Chief of Station requested that Martinez prepare in Spanish a report on the Hunt information provided the Chief of Station in March.[9] Martinez compiled a "cover story"[10] on April 5, 1972, after being told by his case officer not to put anything in the report which might come back to haunt him.[11] The Spanish report, which did not contain any of the alarming innuendos suggested earlier by Martinez, was maintained in the Chief of Station's file until after the Watergate break-in.[12]

It is known that Martinez had two case officers during 1971 and 1972. There is conflicting evidence concerning the precise date of the spring, 1972 case officer change-over.[13] It is known that Martinez met with his last case officer on June 6, 1972, and at that time had at least two reporting requirements, i.e., maritime operation information and information pertaining to possible demonstrations at the Miami conventions,[14] contrary to earlier testimony by CIA officials.[15] The Agency has not afforded this Committee an unabridged examination of the case officer contact reports, despite requests for same.

The Agency has advised that Martinez' first case officer was on an "African safari" throughout June of 1972.[16] The second case officer has testified that the former case officer was in Miami on June 19, 1972.[17] The first case officer has been transferred to (Indochina) and was not made available for interview by our Committee. The second case officer stated in his interview that he was rushed to CIA headquarters the week following Watergate and told that he would be required to stay there, until September for reason related to his involvement with Martinez.[18] This case officer remains assigned to CIA headquarters.

On the morning of June 18, 1972, the Miami Chief of Station dispatched a cable to CIA headquarters regarding the activities of Martinez but deliberately omitting Martinez' prior reference to Hunt's activities.[19] On June 19, 1972, the Chief of Station received correspondence from CIA headquarters advising him to keep in better touch with his operatives in Miami.[20] This prompted the Chief of Station to forward a copy of the Martinez report in Spanish to headquarters.[21] The Chief of Station was confounded as to why he was not told to terminate the Martinez relationship if the CIA headquarters suspected the involvement of Hunt in political activities.[22] He later brought this matter up with the Assistant Deputy Director of Plans, who told him that the Agency was uneasy about Hunt's activities for the White House in "March or May" of 1972.[23] The Assistant Deputy Director of Plans testified that he assumed in March of 1972 that Hunt was involved in partisan political work for the White House and that this assumption formed the basis for his guidance to the Miami Chief of Station at that time.[24] He further testified that the Miami Chief of Station wanted to check on Hunt's activities domestically,[25] an allegation denied by the Chief of Station[26] and not reflected in any of the CIA correspondence made available to us.

Despite conflicting evidence from the FBI and the CIA,[27] it is known that the Agency received information on June 19, 1972, from an operative that Martinez' vehicle was at the Miami airport and contained compromising documents.[28] The Agency contacted the FBI with this information on June 21, 1972.[29] Our staff has yet to receive a satisfactory explanation regarding the aforementioned time lag and an accounting of Agency actions during the interim.

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[37] Executive Session Testimony of Richard Helms, *supra* note 3.

[38] Memorandum from (DDS), CIA Deputy Director of Support, to Richard Helms, Director of Central Intelligence, November 9, 1971, Original CIA Materials, Volume II, Tab. J.

[1] Senate Foreign Relations Committee Report of Richard Helms Testimony, February 7, 1973, at 24, 50; Senate Select Committee Transcript of Richard Helms, Testimony, August 2, 1973, at 6733–6734, 6814–6815.

[2] Executive Session Testimony of (Miami Chief of Station, hereinafter COS), February 7, 1974, at 5–9.

[3] (Martinez' Case Officer (1971–1972), hereinafter referred to as Case Officer #1) Memorandum for the Record (excerpt), November 19, 1971, Agent (Martinez' Code Name), found at Tab 1, CIA Supplemental Materials, Volume II; Executive Session Testimony of (COS) *supra* note 2, at 14–18.

[4] (Case Officer #1) Memorandum for the Record (excerpt), *supra* note 3; Executive Session Testimony of (COS), *supra* note 2, at 13.

[5] Executive Sessions Testimony of (COS), *supra* note 2, at 23–27.

[6] *Id*, at 25–27; See (COS) Memorandum for Chief, (deleted at Agency request), March 17, 1972, Subject: Miscellaneous Information from (Martinez' Code Name), found at Tab 1, CIA Supplemental Materials, Volume II; (COS) (sensitive) letter, March 17, 1972, found at Tabe 1, CIA Supplemental Materials, Volume II.

[7] Executive Session Testimony of (COS), *supra* note 2, at 31–34; (Chief, Cuban Operations Branch, Western Hemisphere Division, hereinafter referred to as Chief, COB) letter to (COS), March 27, 1972, found at Tab 1, CIA Supplemental Materials, Volume II.

[8] Executive Session Testimony of (COS), *supra* note 2, at 32, 80.

[9] *Id.* at 33–34, 38–40; (Case Officer #1) Cable (deleted at Agency request), December 15, 1973, found at Tab 2, CIA Supplemental Materials, Volume II; Executive Session Testimony of Eugenio Martinez, December 10, 1973, at 45–47.

[10] Executive Session Testimony of (COS), *supra* note 2, at 91; *see* Executive Session Testimony of Eugenio Martinez, *supra* note 9, at 11.

[11] Executive Session Testimony of Eugenio Martinez, *supra* note 9, at 53, 58–59. (Case Officer #1) Cable (deleted at Agency request), *supra* note 9.

[12] Executive Session Testimony of (COS), Spanish Report and Translated Spanish Report, found at Tab 1, CIA Supplemental Materials, Volume I (attention to discrepancies).

[13] Tab 2, CIA Supplemental Materials, Volume VII (indicating April 14, 1972 change-over); Tab 10, Original CIA Materials, Volume III (indicating a March, 1972 change-over); Executive Session Testimony of (COS), *supra* note 2, at 36 (indicating April 23–30, 1972 change-over).

[14] Executive Session Testimony of (Case Officer #2), February 4, 1974, at 25–26, 41–42.

[15] *Supra* note 1.

[16] CIA Deputy Legislative Counsel showed this staff a printed itinerary for the first case officer which contained the referenced entry. Legislative Counsel has not made that itinerary a part of the supplemental materials furnished the staff.

[17] Executive Session Testimony of (Case Officer #2), *supra* note 14, at 73.

[18] *Id.* at 49–50.

[19] *Id.* at 36–37, 78.

[20] (Chief, Western Hemisphere Division) "Dear Friend" letter June 20, 1972, found at Tab 2, CIA Supplemental Materials, Volume II.

[21] (COS) "Dear Friend" letter, June 20, 1972, found at Tab 2, CIA Supplemental Materials, Volume II; Executive Session Testimony of (COS), *supra* note 2, at 73–75.

[22] Executive Session Testimony of (COS), *supra* note 2, at 80–82.

[23] *Id.* at 82–83.

[24] Executive Session Testimony of ADDP, February 28, 1974, transcript not presently available.

[25] *Id.*

[26] Executive Session Testimony of COS, *supra* note 2, at 84.

[27] *Id.* at 62–65; Report of Interview of Agent Robert L. Wilson, dated January 11, 1974, at 4. A comparison reveals a discrepancy as to manner in which FBI was notified and raises questions concerning what the FBI found.

[28] Executive Session Testimony of COS, *supra* note 2, at 58–60; Executive Session Testimony of Case Officer #2, *supra* note 14, at 15–17.

[29] Report of Interview of Agent Robert L. Wilson, *supra* note 27, at 3.

ACTION REQUIRED

The following is a breakdown by area of interest of action desirable to complete the Watergate-related CIA investigation commenced by this staff.

Martinez relationship

1. Interviews:

(a) Chief, Western Hemisphere Division (1971–April, 1972).

(b) Chief, Western Hemisphere Division (April, 1972–1973).

(c) Chief, Cuban Operations Branch, Western Hemisphere Division (1971–1972).

(d) Martinez' case officer (1971–March, April, 1972). Prior efforts to interview this individual have been frustrated by virtue of his present assignment in (Indochina).

(e) Executive Assistant to the ADDP (1971–1973).

(f) Executive Assistant to the DDP (1971–1973).

The aforegoing interviews are necessary in order to determine the extent of the CIA's knowledge of Hunt's activities.

(g) Chief, Miami Office of Security (June, 1972).

(h) Miami Chief of Station's informant with regard to Martinez' car.

(i) Above informant's source with regard to Martinez' car.

These interviews are necessary to explain the time lag in giving notice to the FBI; to identify CIA actions (particularly the Miami Office of Security) regarding this information; and to determine the scope of information received by the Agency and transmitted to the FBI.

2. Documents:

(a) All Martinez case officer contact reports (1971–July, 1972). We have repeatedly requested access to unabridged reports, but the Agency has made available only an abridged version of early reports. Access is necessary to determine the scope of Martinez' relationship in the relevant time frame and whether he provided any Watergate-related information to his case officer.

(b) All CIA correspondence re: Martinez car (cables, etc.). This information, although not previously requested per se, is critical to the documentation of Agency action on this issue and to resolve conflicting evidence supplied by the FBI.

(c) All reports or memoranda relating to the debriefing of Martinez' last case officer upon his return to Washington, D.C., after the Watergate break-in. This information has been previously requested but not provided to this staff.

Mullen and Co. relationship

1. Interviews:

(a) Mullen and Company secretaries (1971–1972). This is needed to confirm or deny suspicions relevant to the indicated Agency/Bennett/Hughes link.

(b) Far east cover (June, 1972).

(c) European cover.

The aforegoing interviews are necessary to a meaningful understanding of the "WH flap" and to gauge any relationship of same to the Watergate break-in.

(d) Chief, Central Cover Staff (1971–1972). This interview is necessary to clarify the "WH flap" and to ascertain the Agency's response to the Bennett information contained in the summer, 1972 memoranda.

2. Documents:

Any and all reports of contacts between (Mullen and Company Case Officer) and Mullen, Bennett, Hunt and anyone else at Mullen and Company from April 30, 1970 to January 1, 1974, including but not limited to logs, records, or memoranda reflecting such contact or the content of that contact. This information was requested during the February 4, 1974 Executive Session of (Mullen and Company Case Officer) along with data reflecting changes in the procedure for maintaining and/or making reports of contacts outside the Agency.

TSD support of Hunt

1. Interviews:

(a) (TSD Technican #3)—TSD technican who developed the photographs for Hunt and blew up a particular photograph for (Deputy Chief, TSD). Determination needed as to what was done with blow-up and whether it was subsequently used for briefing others at CIA.

(b) (TSD Technician #2)—TSD technician who purchased the Uher 5000 tape recorder and equipped it for Hunt's purposes.

(c) (Executive Assistant to DDP)—Consulted during initial stages of TSD support and relayed the TSD requirement to the DDP.

2. Documents:

(a) "Mr. Edward" file—The file containing all memoranda and other materials relating to the CIA's TSD support of Hunt. This file has been requested, but has not been produced, despite the fact that the file was given to Director Colby after the Watergate break-in.

(b) All memoranda prepared by (Executive Officer to Director of Security), or any other CIA employee, regarding the TSD support of Hunt, including but not limited to all internal memoranda concerning the TSD support which is not contained in the "Mr. Edward" file.

Psychological profile of Daniel Ellsberg

1. Interviews:

(a) (DMSS)—Director of Medical Services who supervised and participated in the preparation of both Ellsberg profiles.

(b) (DDS)—The immediate supervisor of the Medical Services staff who prepared the psychological profile and who served as liaison between Director Helms and the psychiatric staff.

(c) Executive Assistant to DDS—Knowledgeable with regard to the psychological profile.

2. Documents:

(a) All information received by the CIA from the FBI or the White House which served as raw data for preparation of both psychological profiles. Testimony has established that this data contained FBI reports of interviews with female associates of Ellsberg, as well as a report of a purported telephone conversation between Ellsberg and another party.[1] The data should establish the extent of the CIA's admitted knowledge of the name of Ellsberg's psychiatrist as well as the CIA's knowledge of the activities of Hunt.

(b) All documents, reports, or memoranda relating in any way to the psychological profiles, including but not limited to the internal memoranda prepared by (Chief Psychiatrist), (DMSS), and (DDS) regarding the two psychological profiles. Testimony has established that memoranda for the record were written detailing the concerns about Hunt. Director Helms has testified that he has no knowledge of same.

(c) The so-called "psychological profile file", presently located in the office of the Director of Medical Services, CIA, containing all materials regarding the preparation of the psychological profiles. Note: This file was previously requested, as well as the materials described in parts (a.) and (b.) above. By letter dated March 8, 1974, Director Colby indicated that he would release this information to the oversight committees only.

Tapes

1. Log maintained by the Office of Security with reference to known tapings of which transcripts are thought to be available. This has been previously requested, but not furnished.

2. All logs, memoranda, or notations reflecting communications into or out of the Office of Security for the time period from June 16, 1972 to June 22, 1972. This information has been requested but it is available to the Senate Armed Services Committee only. Such information is critical to any determination as to the chronology of Watergate notification and related actions.

3. Access to the five inch reel of tape labeled, "McCord Incident/18–19 June 1972," which was found in the Office of Security on March 1, 1974. It is not known what is contained in this tape, but its importance is obvious.

Miscellaneous

1. Access to the special Watergate file formerly maintained in the Office of Security. This file was requested as early as mid-January, 1974, and its existence at that time was denied by legislative liaison. Sworn testimony has since confirmed existence of such a file, now under control of the Inspector General.

2. Any and all CIA files relating to the activities of E. Howard Hunt. This was requested in January of 1974 and was ignored by the Agency. We are aware of at least an executive registry file in which information on Hunt was placed in 1971 and suggest that this would be a good starting point for compliance with this request.

3. Any and all CIA files relating to G. Gordon Liddy during the time frame of January, 1970, to the present. When this request was made in January of 1974, the staff was advised that CIA information on Liddy was limited to sensitive briefings, the subject matter of which was beyond the purview of this Committee.[2] Files relative to these briefings need to be examined, particularly in light of the time period of same, i.e., August and September, 1971.

4. Any and all CIA files pertaining to attorney (name deleted at Agency request) and/or his law firm from the period January 1971 to the present. While the CIA has confirmed that (attorney) is a former case officer and that (potentially significant information deleted at agency request) during the period of time that (attorney) served as counsel for the Committee to Re-Elect the President,[3] contact reports and memoranda must be reviewed in raw form before a determination can be made as to the impact of the aforementioned facts.

5. Office calendars for Director Helms, General Cushman, and the Deputy Director of Plans for the time frame from January of 1971 through June of 1973. These calendars have been previously requested and are critical to a thorough investigative analysis of knowledge available to these respective officials at the critical times. These calendars have not been made available to this staff for review.

6. All record pertaining to Agency financing of Egil Krogh's activities, as evidenced by sworn testimony before this Committee. Also, interviews of superiors of (Secretary to Chief, CIA Narcotics Control Group).[4]

7. Interviews of (Chief, EEAB), (former outplacement director), (Agency employee), (Agency employee), (former Agency employee), (former Agency employee) and attorney (former Agency employee), all of whom were either in the employ or were former employees of the Agency at the time they discussed Hunt operation activities (including entry operations) during 1971 and 1972.

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[1] Executive Session Testimony of (Chief Psychiatrist), March 7, 1974 (transcription not presently available).

[2] *See* CIA's response to this inquiry regarding Liddy, Supplemental Materials, Volume II, Tab 13.

[3] *See* CIA's response to this inquiry regarding (attorney), CIA Supplemental Materials, Volume II, Tab 14; IV (CIA Memorandum, June 28, 1973).

[4] *See* Executive Session Testimony of (Secretary to Chief, CIA Narcotics Control Group), March 2, 1974, (transcription not presently available).

8. A review of all CIA activities (regardless of nature or degree of support) in Mexico during the calendar year, 1971–1972. This information, which is relevant to an objective assessment of CIA's post-Watergate posture and pre-Watergate potential involvement, has been requested (to an extent consistent with national security) since February 1, 1974.[5]

9. The "Pennington File," which was previously requested and made available only to the House Armed Services Oversight Committee. This file contains memoranda and other documents dealing with the activities *of the CIA* operative, Pennington, who was alleged to have participated in the burning of documents in the McCord home after the Watergate break-in. This file also contains data regarding the "domestic activities" of Pennington, and the CIA has made it known that there are "gaps" in this file during certain relevant time periods.

10. At the conclusion of his Executive Session on Friday, March 8, 1974, Ambassador Helms testified concerning an individual in a peculiar position to know the activities of both the Agency and the FBI. While Helms knew of no Watergate information in this individual's possession, other evidence suggests the contrary. Consideration should be given to interviewing this individual who has already commenced preparation of a Watergate-related memorandum in response to a previous request by the staff.[6]

11. Michael Mastrovito of the Secret Service should be interviewed concerning his Agency communications on June 17, 1972. Agency documents indicate that Mastrovito agreed to downplay McCord's Agency employment; that Mastrovito was being pressured for information by a Democratic state chairman; and that Mastrovito was advised by the CIA that the Agency was concerned with McCord's emotional stability prior to his retirement.[7]

The PRESIDING OFFICER. Under the the previous order, the Senator from Connecticut (Mr. WEICKER) is recognized for not to exceed 5 minutes.

Mr. WEICKER. Mr. President, I rise in support of the legislation submitted by the distinguished Senator from Tennessee (Mr. BAKER).

As I have said on other occasions, the job which was started a little over a year ago by the Senate Select Committee will only be considered a job well done if we take the facts learned and construct legislation around those facts—more particularly, if we construct legislation to see to it that the abuses uncovered will never occur again. Unless we do that, it can be said, with basis in fact, that the only purpose of the committee was to indulge in acts of sensationalism rather than in acts of legislation.

Insofar as the abuse of the Constitution and the laws of this country by the law enforcement intelligence community, it cannot be said that Watergate was a bad dream. It was a fact. The bill introduced by the distinguished Senator from Tennessee and the Senator from Michigan (Mr. HART), the Senator from Idaho (Mr. CHURCH), the Senator from California (Mr. CRANSTON), and myself is intended to prevent a reoccurrence not of a dream but of a fact.

Indeed, for many years the American intelligence community has ignored Congress; or, to put it the other way around, Congress has ignored the American intelligence community. The abuses uncovered cannot be considered illogical. Rather, they are the logical ending to a practice of total unaccountability.

In the preparation of my remarks for delivery this morning, one of the members of my staff had written, "While the intelligence activities of Federal agencies have been within the law and in the national interest." I turned to him and said, "I can't say that. I don't know that they have been."

That is the problem. It is not a problem that can be resolved solely by the President of the United States. It is as much our responsibility and our job.

I find it interesting that we read in the newspapers today and viewed on television last night that there is to be a briefing of congressional leaders by the President as to what was going on in the CIA. Is that not something that the congressional leaders should have known, without getting a briefing from the President of the United States? Is that not something on which perhaps we should brief the President? Of course, we are in no position to do so, because we do not know anything about it.

Whereas I have uncovered certain abuses in the CIA, the FBI, the military intelligence, and the Secret Service, I cannot honestly stand here and say that that is all that went on. There has been no agency accountability to Congress. This is not to say that we do not have oversight functions in the various committees, but as the distinguished Senator from Tennessee pointed out, it is an ancillary duty; it is not the principal duty of those committees. The chairmen and the members of those committees have substantial burdens in the areas of the judiciary, foreign relations, and defense. So oversight of the law enforcement intelligence community suffers.

The PRESIDING OFFICER (Mr. ROBERT C. BYRD). The time of the Senator has expired. Does the Senator desire additional time?

Mr. WEICKER. I request an additional 2 minutes.

The PRESIDING OFFICER. Without objection, the time will be taken out of the time allotted to the Senator from West Virginia (Mr. ROBERT C. BYRD).

Mr. WEICKER. Congress itself has long been reluctant to ask the hard questions, and insist on the policy supervision that assures the accountability of agencies such as the CIA, the FBI, the Secret Service, the Defense Intelligence Agency, the National Security Agency, and numerous others charged with gathering intelligence and surveillance of persons.

With no accountability, we can readily anticipate abuse of agency powers and constitutional rights. The record of these abuses in the last few years cannot be dismissed as isolated instances of individual excesses. It is a record that tears at the very fabric of our constitutional democracy.

The lesson of these abuses of the national intelligence function is that accountability cannot be assured without congressional oversight, oversight that has constancy, purpose, and real power to get the facts out.

It is in this interest of strengthening this congressional oversight responsibility, that Senator BAKER, Senator CHURCH, Senator CRANSTON and I are today introducing legislation to establish the Joint Committee on Intelligence Oversight, with broad powers to authorize, investigate, and legislate on matters related to the intelligence agencies, as well as to the intelligence activities of all other Federal agencies and departments.

In this way, we seek to consolidate the congressional intelligence oversight function in one joint committee with sweeping powers to demand full and current accountability.

Mr. President, this is the opportunity for Congress to act. The facts are on the table, and now the American people look to us for leadership. Otherwise, the abuses that occurred de facto become a part of the laws of this Nation. What a tragedy that would be, in light of what those facts say.

The joint committee would be composed of 14 members evenly divided between the House and Senate, chosen by the leadership. In order that this important committee remains independent and healthily skeptical, we would encourage the leadership of both Houses to consider some form of rotating membership for the joint committee.

The joint committee would possess primary authorization and legislative jurisdiction over all activities and operations of: the Central Intelligence Agency, the Federal Bureau of Investigation, the U.S. Secret Service, the Defense Intelligence Agency, and the National Security Agency, as well as over all intelligence or surveillance activities or operations of any other department or agency of the Federal Government.

The bill clearly states that the directors of the above-named agencies—

shall keep the Joint Committee fully and currently informed with respect to all of the activities of their respective organizations, and the heads of all other departments and agencies of the Federal Government conducting intelligence activities or operations or the surveillance of persons shall keep the Joint Committee fully and currently informed of all intelligence and surveillance activities and operations carried out by their respective departments and agencies.

The joint committee may require from any department or agency of the Federal Government periodic written reports regarding activities and operations within the jurisdiction of the joint committee. To back up requests for relevant information, the committee would have full subpena powers.

Furthermore, the proposed legislation provides that:

No funds may be appropriated for the purpose of carrying out any intelligence or surveillance act or operation by any office, or any department, or agency of the Federal Government unless such funds for such

[5] The CIA, through its legislative liaison, has confirmed that Mexico is an "important country" to the CIA, but has refused to provide any other information regarding CIA Mexican activities during the 1971–72 time period.

[6] *See* CIA Supplemental Material, Volume II, Tab 18.

[7] *See* CIA cable traffic shortly after the Watergate break-in, CIA Supplemental Material, Volume VI.

activity or operation have been specifically authorized by legislation enacted after the date of enactment of this act.

Therefore, the budgets of secret agencies like the CIA and NSA could not be hidden in Defense appropriation bills, and no blanket authorizations could be used to avoid the committee's scrutiny of intelligence agency budgets.

While the creation of the joint committee would not deprive the current oversight committees—Armed Services, Appropriations, Foreign Relations, and so forth—of the opportunity to exercise oversight over intelligence matters related to the jurisdiction of these committees, no legislation or no provision contained in any legislation dealing with any matter within the jurisdiction of the joint committee can be considered by either House unless such legislation has been reported by the joint committee or is a floor amendment to committee legislation.

And, given national security considerations, the joint committee would be empowered to take any and all precautions necessary to maintain the confidentiality of sensitive information before it.

The hearings last year before the Senate Select Committee on Presidential Campaign Activities documented the systematic abuse of governmental agencies.

The facts of the White House responsiveness programs which pressured Federal agencies to favor political friends and disadvantage enemies are startling indeed. But the litany of White House domestic and foreign intelligence operations conducted under the banner of "national security" can only be termed a national disgrace.

The executive branch had at its disposal a massive intelligence apparatus—the CIA, the FBI, the National Security Agency—NSA—and the Defense Intelligence Agency—DIA. The Nixon administration simply used at home what had been developed in clandestine operations abroad.

This was the proposal of Tom Charles Huston in his July 1970 memorandum to White House Chief of Staff H.R. Haldeman. Houston wrote:

> In the past there has been no systematic effort to mobilize the full resources of the intelligence community in the internal security area. . . . Domestic intelligence information coming into the White House has been fragmentary and unevaluated. . . . Unlike most of the bureaucracy the intelligence community welcomes direction and leadership from the White House.

In other words, the intelligence community was available, acquiescent and unaccountable.

And what did this facade of "national security" really cover up?

These were the sordid activities it justified:

In a massive operation, mail sent to a Democratic Party was opened and photographed by the U.S. Army.

Military agents spied on a group of McGovern supporters in Berlin.

Internal Security Division of the Justice Department on a daily basis, provided the Committee to Re-Elect the President information on individuals of a political and nonpolitical nature.

An FBI agent was used by the White House to spy on Newsday which was doing an article on one of the President's friends.

The FBI conducted an investigation on Daniel Schorr, an investigation designed by the White House to embarrass and harass.

The CIA provided support materials to E. Howard Hunt for the purposes of an illegal entry and burglary into offices of Daniel Ellsberg's psychiatrist.

This litany could run for pages, but the message is clear and convincing: Unless Congress exercises its oversight responsibility over the intelligence community, our constitutional democracy is vulnerable to continued subversion.

Congress must act now to reaffrm the accountability of the American intelligence community.

Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the final Watergate report.

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

EXCERPTED FROM FINAL WATERGATE REPORT

(By Senator LOWELL WEICKER)

THE INTELLIGENCE COMMUNITY

The attitudes and policies that led to Watergate had a profound impact on the intelligence community, from the FBI and the CIA to the lesser intelligence sections of other agencies.

Soon after the new administration took office in 1968, there seems to have been a basic dissatisfaction within the White House as to our existing intelligence capabilities. They were variously considered too timid, too bound by tradition, and generally incapable of acting effectively with respect to what the White House perceived as necessary intelligence.

One of the responses by the White House was to set up a plan, an intelligence plan, so that the objectives, methods, and results of the intelligence community would coincide with the White House. This plan was drafted by Tom Charles Huston in early 1970,[197] and came to be known as the 1970 Domestic Intelligence Plan, or the Huston Plan.

Much of the plan, which has been described previously,[198] was illegal, either in its objectives or in the methods it proposed.

Nevertheless, there are numerous indications, in evidence received by this Committee, that the types of activities recommended in the plan were carried out in the following years. The net effect was to subvert or distort the legitimate intelligence functions of the government.

The plan recommended an expanded use of electronic surveillance. However, the expanded wiretapping that took place in succeeding years was done outside legitimate channels, such as the 17 so-called Kissinger taps,[199] the tap on Joseph Kraft,[200] the Watergate wiretaps, and even the wiretap on the President's brother.[201]

The second element of the plan called for surreptitious entries. Burglaries in fact took place at the office of Dr. Ellsberg's psychiatrist,[202] at the Democratic National Committee, at the office of publisher Hank Greenspun, according to multiple evidence;[203] and were suggested or planned for the offices of the Potomac Associates,[204] The Brookings Institute,[205] and Senator McGovern's campaign headquarters.[206]

Mail sent to an affiliate of the Democratic party was opened and photographed by the United States Army, in a well-documented and apparently massive operation,[207] and military agents spied on the Concerned Americans in Berlin, a group of McGovern supporters who were officially recognized by the Democratic party.[208]

The specific actions proposed by Huston are only one aspect of the plan. Equally important are the policy recommendations. The heart of this new policy was better coordination and use of existing intelligence from all areas of the government.[209] The means of carrying it out was to be a new intelligence "Committee" sitting above all the agencies. Again, the plan was carried out.

On September 17, 1970, an Intelligence Evaluation Committee was set up in the White House.[210] It was to receive information from the CIA, the FBI, the National Security Agency, and other intelligence sections. Notwithstanding the fact that the statutes prohibit the CIA from participating in any domestic intelligence function, it was called upon to evaluate domestic intelligence-gathering by the other agencies when the Intelligence Evaluation Committee was set up. This intelligence was to be digested by the CIA experts and then disseminated for use wherever useful, regardless of the statutory limits placed on the agency that collected the information.[211]

What was important about setting up that Committee was not the work it actually did, but rather the legitimization of a concept. That concept was that intelligence functions of the various agencies were there for whatever purpose the Executive decided it

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[197] According to Mr. Haldeman, "the President set up an interagency committee consisting of the Directors of the FBI, the CIA, the Defense Intelligence Agency and the National Security Agency," and "Mr. Huston, the White House staff man for this project, was notified by a memorandum from me of the approval of the President." Testimony of H. R. Haldeman, Vol. 7, 2875.

[198] See, notes 183–186.

[199] Testimony of Robert Mardian, Vol. 4, pp. 2392–2393; John Ehrlichman, Vol. 4, p. 2529; and John Dean, Vol. 3, p. 920.

[200] Testimony of John Dean, Vol. 3, p. 919. In June, 1969, Ehrlichman directed Caulfield in lieu of the FBI to place a national security tap on Kraft's home phone. Caulfield contacted Jack Regan, former FBI agent, who ultimately installed the tap. Executive Session of John Caulfield, March 23, 1974.

[201] Presidential Press Conference, November 17, 1973.

[202] Testimony of Howard Hunt, Vol. 9, p. 3663.

[203] Testimony of Howard Hunt, Vol. 9, p. 3687. See Transcripts of Presidential Conversations, Sept. 15, 1972.

[204] White House memo, July 6, 1971, from John Caulfield to John Dean, stating in part, "a penetration is deemed possible if required."

[205] Testimony of John Dean, Vol. 3, p. 920; Executive Session of John Caulfield, March 23, 1974.

[206] Testimony of Howard Hunt, Vol. 9, p. 3686.

[207] See, testimony of Senator Lowell P. Weicker, hearings on Warrantless Wiretapping and Electronic Surveillance, relating to intelligence activities of the United States military directed against "The Concerned Americans in Berlin," an affiliate of the American Democratic party. (Exhibit 8)

[208] Id.

[209] This was the final section of the 1970 Domestic Intelligence Plan, entitled "Measures to Improve Domestic Intelligence Operations." Vol. 3, Ex. 35, p. 1323. See testimony of John Dean, Vol. 4, p. 1457.

[210] The memo to the Attorney General describing the setting up of the IEC was quoted in full in the text of the hearings. Vol. 3, p. 1063.

[211] Testimony of John Dean, Vol. 3, pp. 916–919, 1057–1974, and Vol. 4, p. 1457.

wanted, not for the purposes Congress decided by statute.

As an illustration, Mr. McCord testified that he eventually received information for use by CRP from the Internal Security Division of the Justice Department, on a daily basis.[212] It included information from the FBI, pertained to individuals, and was of a political as well as non-political nature.[213] This arrangement was made pursuant to a request sent to Mr. Mitchell from Mr. McCord, which led to a call from Assistant Attorney General Mardian in which he relayed the Attorney General's approval and told McCord to work through the Internal Security Division.[214]

The Internal Security Division of the Justice Department also provided political legal assistance to the White House. For example, it provided information regarding demonstrators, and information that would embarass individuals in connection with their relationship with demonstrators and demonstration leaders.[215]

Another illustration of misuse of intelligence was the request made to the IRS, on July 1, 1969, by Mr. Huston, to set up a means of "reviewing the operations of Ideological Organizations."[216] Soon the IRS had set up an "Activists Organizations Committee,"[217] collecting intelligence to "find out generally about the funds of these organizations." An internal memo pointed out that "its activities should be disclosed generally only to those persons who need to know, because of its semi-secretive nature." "We do not want the news media to be alerted to what we are attempting to do or how we are operating because the disclosure of such information might embarrass the Administration." "The type of organization in which we are interested may be ideological . . . or other." "In effect, what we will attempt to do is to gather intelligence data on the organizations in which we are interested and to use a Strike Force concept."[218] This was not tax collection; it was the IRS being converted into an intelligence agency; and it was stopped in the midst of this Committee's hearings in mid-1973.

The next step was when the IRS began gathering intelligence from other parts of the government, with no attempt made to restrict this to tax-related information. Arrangements were made with the military, the Internal Security Division of the Justice Department, and the Secret Service to turn over information on individuals or groups.[219] So long as the IRS has the power to be a potential harassment for the average citizen if audits are not conducted on an objective basis this procedure of developing files on dissenting citizens must be questioned. The more important point is that IRS duties and responsibilities are spelled out by the Congress, and such an operation is not one of them.

The IRS and the Justice Department were not the only agencies pressured into assisting White House intelligence demands. A Secret Service agent spied on Senator McGovern,[220] when supposedly protecting him during the campaign. When the White House was informed of this, no objection was made.

An FBI agent was used by a White House staff member to spy on a Long Island newspaper doing an article on one of the President's friends.[221] The Commerce Department was called on to provide commercial information in a project that it was hoped would embarrass Senator Muskie.[222] The Department of Defense was used to find out information as to Senator McGovern's war records, at a time when there were public charges that he may have acted with cowardice.

There was testimony to the effect that there was nothing short of a basic policy to use any governmental agencies to seek politically embarassing information on individuals who were thought to be enemies of the White House. The so-called "enemies list" was maintained in the White House for this purpose, and a memo was prepared to implement a means of attacking these enemies.[223]

Apparently it was not enough to maneuver the intelligence community and related agency functions. Plans were made to take what is clearly a function of government outside the government, to set up an independent intelligence operation.

The first plan was put forth by Mr. Caulfield, in proposals to Messrs. Dean, Mitchell and Ehrlichman. He suggested a private security entity that would be available for White House special projects, thereby insulating the White House from its deeds. It was called Operation Sandwedge.[224]

Mr. Caulfield rejected the Sandwedge plan, and it was apparently replaced with an operation that came to be known as the "Plumbers." In the meantime, Caulfield began conducting intelligence functions from a position on the White House counsel's staff, functions that properly belong in the agencies, if anywhere.

Caulfield was instructed, for example, to develop political intelligence on Senator Kennedy, including instructions from the Assistant Attorney General to obtain certain information about the travels of Mary Jo Kopechne.[225] When he took the job, he told Mr. Ehrlichman that he would hire an ex-New York City policeman to do investigative work.[226]

Mr. Ulasewicz was then used to collect information on various enemies, political, ideological, and personal. A sample of his activities reveals not only why intelligence should not be outside the checks of a professional organization, but also the rather broad scope of what the White House was in fact doing. His investigations included such things as Richard Nixon's old apartment in New York, a Kennedy official trip to Hawaii, name checks on White House visitors, the President's brother, political contributors to a dozen Senators who opposed the administration, Jefferson Hospital in Philadelphia, Louis Harris Polls the Businessmen's Education Fund, the House of Mercy home for unwed mothers, the U.S. Conference of Mayors, a comedian named Dixon, Mrs. Rose Kennedy's secretary, and Birmingham, Alabama City Council, Mayor, and Executive Staff.[227] And that is just a sample of the much larger number of his investigations. Many of them are clearly the responsibility of established agencies, if they are anybody's responsibility at all.

Eventually, a semi-official unit, the Plumbers, was established within the White House, with a combination of police and intelligence duties. It conducted what Mr. Mitchell referred to in his testimony as the "White House horrors".[228] According to Mitchell, these operations were so wrong that if the President had heard about them he would have "lowered the Boom", even though there is other evidence that the President did know about them and didn't lower any boom.[229]

The legitimate intelligence agencies were used to support this operation, specifically by providing materials for their operations. General Cushman of the CIA testified that after a personal request from Mr. Ehrlichman, CIA technical services people provided Mr. Hunt with a drivers license, social security card, wig, and speech altering device,

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[212] McCord received information, including FBI data, from the Internal Security Division of the Justice Department, upon his request to Attorney General Mitchell. Mitchell told Mardian to direct McCord to I.S.D., where McCord's contact was John Martin, Chief of the Evaluation Section. Testimony of James McCord, Vol. 1, p. 178.

[213] Id., at 181.

[214] Id., at 178.

[215] Testimony of John Dean, Vol. 3, pp. 916–919.

[216] Memo from Tom Huston to Roger Barth, Asst. Commissioner of IRS, August 14, 1970.

[217] See testimony of Senator Lowell P. Weicker, hearings on Warrantless Wiretapping and Electronic Surveillance, April 8, 1974 (Exhibit 1, memo by D. O. Virdin of the IRS; report of meeting to set up an "Activists Organizations Committee").

[218] Id.

[219] For example, on December 4, 1969, D. W. Bacon, Asst. Commissioner, IRS, contacted Colonel Heston C. Cole, Counterintelligence Division, Directorate Office of Special Investigations, and on January 26, 1970 the IRS contacted Director Rowely of the Secret Service, in both cases to coordinate intelligence-gathering operations through the Activists Organizations Committee. See, testimony of Senator Lowell P. Weicker, hearings on Warrantless Wiretapping and Electronic Surveillance, April 8, 1974.

[220] White House memo from Steve Karalekas to Charles Colson, August 16, 1972, referring to the activities of Agent Bolton. See also, testimony of John Dean, Vol. 3, pp. 923, 1071.

[221] John Caulfield testified that he requested a New York City FBI agent to go out to the *Newsday* offices. This was done, and included a report of the newspaper's confidential publication schedule. Executive Session of John Caulfield, March 23, 1974.

[222] Memo to Charles Colson from Thomas Thawley, Deputy Asst. Secretary of Commerce, April 16, 1971.

[223] White House memo from John Dean, August 16, 1971, entitled "Dealing With Our Political Enemies." Vol. 4, Ex. 48, p. 1689.

[224] Drafted in late summer 1971, Operation Sandwedge called for an offensive intelligence-gathering operation for infiltration of campaign organizations and headquarters with "undercover personnel, surveillance of Democratic conventions and meetings, derogatory information-seeking investigations, and "black bag" activities. Though dropped from active consideration by late 1971, Operation Sandwedge can be seen as a precursor of the Gemstone Plan which achieved the capabilities championed by Caulfield. See, Caulfield Executive Session, March 23, 1974; See also, Campaign Practices Section of Select Committee Report, exhibit of memorandum of Caulfield to Dean entitled "Operation Sandwedge." See also, Vol. 2, p. 786; Vol. 3, pp. 924–6; Vol. 6, p. 2537.

[225] In the summer of 1969, when Dean was working at the Justice Department, "then Deputy Attorney General Kleindienst called (Dean) into his office and told (him) that the White House wanted some very important information . . . regarding the foreign travels of Mary Jo Kopechne." Dean was directed to obtain the information from Mr. De Loach, Deputy Director of the FBI, and give it to John Caulfield from the White House. Vol. 3, p. 922.

[226] Ehrlichman appointed Caulfield to the White House staff on April 8, 1969, as a liaison with various law enforcement agencies, with the understanding that the services of Mr. Ulasewicz, a retiring New York detective, would be obtained. Commencing July, 1969, Ulasewicz reported on his investigatory activities to the White House through Caulfield, on the orders of Mr. Ehrlichman and Mr. Dean. Vol. 1, p. 251.

[227] See, Committee interviews with Mr. Ulasewicz, Mr. Dean, Mr. Caulfield, Anne Dawson, Tony LaRocco.

[228] Mr. Mitchell described the Plumbers' activities which he learned of from Mr. Mardian and Mr. LaRue, as the "White House horror stories." Vol. 4, pp. 1624–25.

[229] On March 22, 1973, the day after Mr. Dean told the President of the Watergate-related White House horrors and other facts, the President, according to Mitchell, discussed the possibility of using Dean as a liaison with the Ervin Committee, rather than lowering any boom. Vol. 5, p. 1894.

which were delivered to a "safe house" off CIA premises per Hunt's instructions.[230]

Around August, 1971, Hunt began to make additional demands on the CIA: first, for a stenographer to be brought in from Paris, which Cushman and Director Helms considered merely a face-saving move and rejected. Later demands were made for a tape recorder in a typewriter case, a camera in a tobacco pouch, for film development, and for an additional alias and false papers for another man ("probably Liddy"), which requests came to Cushman's attention after they had been granted by the technical services people.[231]

After Hunt's additional demands and a subsequent request for a New York address and phone services, Cushman and Helms decided Hunt's requests had exceeded his original authority. On August 31, 1971, Hunt made a final request, for a credit card, which was denied.[232]

Mr. Young of the Plumbers unit asked the CIA to do a psychological profile of Dr. Ellsberg. It was clearly a domestic project, the only one of its type ever requested, according to Gen. Cushman of the CIA, who also testified that such profiles are reserved for foreign leaders. Nevertheless, it was done, but Mr. Young considered it unsatisfactory, so another profile was prepared and sent.[233] Other projects spanned a broad range, such as spiriting Dita Beard from the East Coast to a Denver hospital, and a subsequent trip to Denver by Hunt in disguise to question her about the ITT affair.[234] To bring the full influence of the White House to bear on this extraordinary activity, Mr. Ehrlichman testified that he personally introduced Messrs. Krough and Young, who headed up the Plumbers to the heads of various agencies, such as the Secretary of Defense, the Attorney General, and the Director of the CIA.[235]

Members of the Plumbers eventually went on to similar work for the Committee to Reelect. Although they were clearly outside the government, they again used the legitimate agencies. Ex-CIA employees were recruited on the basis of their loyalty to the CIA. National security responsibilities were misused. Mr. Barker was even told that the interests of national security he was serving were above the FBI and the CIA.[236] To reinforce this position, classified and critical information about the mining of Haiphong harbor was relayed to Barker the day before the President's announcement.[237] This was not only a misuse of secret Defense Department intelligence, but it also furthered a misuse of national security entrustment in the executive branch.

In a different type of situation, Mr. Haldeman was appointed "the Lord High Executioner of leaks". This technique of attacking and solving the leaks problem illustrates the contempt for normal government functions. It resulted in Mr. Caulfield, by his own testimony, being directed by Ehrlichman to wiretap a newsman's telephone (Joseph Kraft) in pursuit of a leak,[238] outside the safeguards of government wiretap procedures and regulations. There are capabilities within the legitimate operations of our government for handling such a problem. The attitude that these problems had to be treated independently was the same attitude that led to the 17 Kissinger taps being installed outside normal FBI channels and Mardian's instructions from the President regarding the disposition of those wiretap logs "that related to newsmen and White House staff suspected of leaking",[239] and that led to unusual and perhaps illegal White House involvement in the Ellsberg case itself.

There is a reason for demanding that government officials use only the tested and accountable facilities of government. It has been illustrated by the kind of projects undertaken independently by the White House.

The final contempt for the intelligence community can be seen in efforts to exploit them in the coverup. Mr. Ehrlichman said that he and Mr. Haldeman had spoken to General Walters and Mr. Helms of the CIA shortly after the Watergate break-in.[240] Ehrlichman further said that Walters was a friend of the White House and was there to give the White House influence over the CIA.[241] Dean testified that Ehrlichman asked him to explore the possible use of the CIA with regard to assisting the Watergate burglars.[242]

On June 23, 1972, Mr. Haldeman and Mr. Ehrlichman met with Director Helms and General Cushman of the CIA. According to Director Helms, Haldeman said something to the effect that it had been decided that General Walters was to go talk to FBI Director Gray and inform him that "these investigations of the FBI might run into CIA operations in Mexico" and that it might be best if they were tapered off—or something like that.[243] According to General Walters, Haldeman directed Helms to inhibit the FBI investigation on grounds that it would uncover CIA assets in Mexico. Haldeman also indicated he had information the CIA did not have, and that five suspects were sufficient.[244] When Director Helms and Director Gray of the FBI scheduled a meeting between themselves on June 28, 1972, Mr. Ehrlichman intervened and canceled the meeting, thus preventing any independent contacts.

At a later time, Mr. Dean discussed with General Walters the possibility of using covert CIA funds to pay the Watergate defendants.[245] In February 1973, the CIA was asked by the White House to take custody of Justice Department files on Watergate, but the request was denied.[246]

Mr. McCord testified that at the time of the Watergate trial, pressure was brought on himself and other defendants to claim for purposes of a defense that Watergate was a CIA operation.[247]

The FBI was likewise abused in numerous ways. Some of these, such as turning over Hunt's files to Mr. Gray, have been well documented. But there were other examples. The FBI set up the so-called Kissinger wiretaps outside channels, effectively insulating them from routine discovery and accountability, and at the President's instructions, Mr. William Sullivan (who had supervised the wiretaps) turned over all evidence of them to the White House when it was reportedly related to the President that Hoover might use them to preserve his job.[248] The FBI ran an investigation of CBS newsman Daniel Schorr, in what was a White House tactic to embarrass him, according to one witness.[249]

Mr. Ehrlichman testified that he was instructed after the Watergate break-in to see to it that the FBI investigation did not uncover the Ellsberg break-in or get into the Pentagon Papers episode.[250]

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the distinguished Senator from Michigan now be recognized under the order previously entered, without prejudice to the distinguished Senator from Idaho (Mr. CHURCH).

The ACTING PRESIDENT pro tempore (Mr. METCALF). Without objection, it is so ordered.

Mr. HART. Mr. President, I am delighted to have the opportunity today to join the Senator from Connecticut (Mr. WEICKER), the Senator from Idaho (Mr. CHURCH), and the Senator from Tennessee (Mr. BAKER) in introducing proposed legislation for a joint committee

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[230] Vol. 8, pp. 3292–93.

[231] Id.

[232] Id.

[233] Id., at p. 3311.

[234] Shortly after the ITT memo was published in February, 1972, Mr. Liddy transported Dita Beard from Washington to a hospital in Denver. In his interview there, Mr. Hunt elicited from Dita Beard a public statement that the memo was a fraud. Testimony of Robert Mardian, Vol. 6, p. 2359; Howard Hunt, Vol. 9, pp. 3752–53.

[235] Mr. Ehrlichman testifies further that Mr. Krogh and Mr. Young "described the function of the special unit" (the Plumbers) to the heads of the various agencies. Vol. 7, p. 2691.

[236] Testimony of Bernard Barker, Vol. 1, p. 360.

[237] Mr. Hunt testified that he was "in very general terms aware of" the President's speech announcing the bombing of Haiphong harbor prior to the speech. Hunt requested that Mr. Barker "attempt to have as many telegrams as possible sent to the White House . . . manifesting approval of the President's move." Testimony of Howard Hunt, Vol. 9, pp. 3745–46.

[238] See note 21, supra.

[239] The President instructed Mr. Mardian in the fall of 1971 to transfer the logs from Mr. Sullivan, Assistant Director of the FBI, to Mr. Ehrlichman, who kept them in his safe for over a year. Testimony of John Dean, Vol. 3, pp. 920–21.

[240] Ehrlichman and Haldeman were instructed to insure that covert CIA activities were not exposed by the Watergate investigation being conducted by the FBI. Vol. 6, p. 2557.

[241] On June 26, 1972, Mr. Dean on Mr. Mitchell's suggestion, sought through Mr. Ehrlichman to contact the CIA as to the Watergate break-in. Vol. 3, p. 946.

[242] Mr. Dean indicated to Gen. Walters that witnesses were wobbling and could cause problems, and asked if the CIA could raise bail for some of these defendants. Testimony of John Dean, Vol. 3, p. 1037; Vol. 4, p. 1461.

[243] Testimony of Richard Helms, Vol. 8, p. 3238.

[244] Memorandum of General Walters, Vol. 7, Ex. 101, pp. 2948–49.

[245] Testimony of John Dean, Vol. 3, p. 1937.

[246] On February 9, 1973, Mr. Dean called the new Director of the CIA, Mr. Schlesinger, and suggested that the Justice Department be required to return to the CIA a package of all the materials turned over to Justice regarding Hunt and the break-in at Dr. Fielding's office. Mr. Schlesinger and General Walters decided this was "out of the question". Testimony of General Walters, Vol. 9, pp. 3417–19.

[247] Testimony of James McCord, Vol. 1, pp. 193–98.

[248] In July, 1972, Mr. Sullivan, Associate Director of the FBI, informed Mr. Mardian of the existence of "some very sensitive national security surveillance logs that were not . . . in-channel", that Mr. Hoover might use to preserve his job. Mr. Mardian then flew by courier plane to see the President in San Clemente, who directed him to obtain the reports from Mr. Sullivan and deliver them to Mr. Ehrlichman. Testimony of Robert Mardian, Vol. 6, pp. 2392–93.

[249] Mr. Haldeman requested Mr. Higby to direct the FBI to investigate Daniel Schorr. But "to the dismay of the White House, Mr. Hoover proceeded with a full field wide-open investigation" which became apparent and "put the White House in a rather scrambling position to explain what had happened." Ultimately the White House attempted to explain that Mr. Schorr was being considered for a Presidential appointment in the environmental field. Testimony of John Dean, Vol. 3, 1071.

[250] Testimony of John Ehrlichman, Vol. 6, p. 2544.

to oversee and evaluate the intelligence gathering, surveillance, and covert political action undertaken by our national intelligence establishment.

Such an idea is not new. It has been proposed and sidetracked in the past. But as the distinguished Senator from North Carolina (Mr. ERVIN) often reminds us, the Bible speaks of a time and a season for everything. Now is the time, the season, for such a committee.

Hopefully, one legacy of Watergate and of revealed efforts to subvert elected governments abroad will be this overdue step to reassert democratic control over foreign policy and to preserve a free environment here in America.

To create such a committee does not require criticism of past efforts by existing oversight subcommittees in each House of Congress to monitor particular portions of the intelligence community. We can recognize the sharp increase in public concern over the threat of improper surveillance and other clandestine activity by Government agencies. We can recognize as the Senator from Connecticut has just emphasized, that Congress needs the benefit of comprehensive scrutiny of all Government intelligence, surveillance and covert political operations if it is to carry out its constitutional responsibilities and to reassure the public.

And finally, we can recognize that such systematic evaluation and monitoring can best be done by a joint committee with the broadest charter, the resources and the status comparable to the Joint Atomic Energy Committee.

Mr. President, we have had considerable discussion in the past year of such problems as the alleged national security wiretaps on newsmen and others, the so-called plumbers' operations, the FBI "Co-Intel-Pro" effort to disrupt and discredit dissident political groups, and Army surveillance of American citizens. These and many other issues which would be addressed by the joint committee proposed here today will be the subject of further comment as the merits of this bill are debated. Today, let me confine my remarks to another important area of oversight covered by this proposal: covert political operations in foreign countries.

Last week the Center for National Security Studies held a very significant conference on the conduct of covert political operations—as distinct from intelligence gathering—by our clandestine agents in other countries. Participants included former CIA officials, CIA Director William Colby, others who have held responsible positions in the national security machinery of our Government, and informed journalists and scholars. One point which emerged from the conference sessions was that several strawman arguments might easily divert attention from the real issues in regard to covert operations. It is important to keep in mind what the issues are and what they are not.

Those who defend the present operations of the CIA and its oversight by Congress suggest that critics naively fail to appreciate our need for accurate intelligence. That is nonsense. No one, including those of us introducing this bill, doubts the importance of intelligence about what is happening in the world—or about what might happen which could endanger American security. And, of course, we appreciate that the balance of nuclear deterrence particularly requires accurate, strategic intelligence.

To question the extent of our covert political capability and activities is neither to imply that intelligence is bad nor that we do not need a CIA. Some intelligence gathering must be covert. But we must keep in mind that much of it is derived from careful analysis of open sources or diplomatic reporting. Most of the rest, especially in the crucial area of strategic intelligence on nuclear weapons, comes from technical means such as satellite reconnaissance.

Moreover, evaluation of intelligence is done by the analysts of the CIA's Directorate for Intelligence—and their counterparts at other agencies—and not by the covert operators. Indeed, one of the concerns about covert operations is that they not only may have a distorting effect on our professed foreign policy goals but also that they distort the priorities of the intelligence community. I think this is true particularly for the CIA. In some instances, the past or current, operations, or future plans, of covert operations may even affect the objectivity of the intelligence analyses provided our top policymakers and to Congress.

In short, the organization of the national security establishment to obtain and use intelligence is an important question for our proposed committee to examine. But it is distinct from the more pressing question of the impact which covert political operations have, both in other countries and ultimately in our own society.

Second, if our concern is to enhance the intelligence function and not to do away with it, neither are we saying that the United States should never, under any circumstances, interfere with the internal affairs of other nations. We could not rid ourselves of that option entirely even if we wanted to do so.

But there is a legitimate concern about the far-flung empire of thousands of agents or contract employees, of large commercial cover operations, airlines, banking operations, and a large bureaucracy which together create a tremendous momentum to use the Agency's covert "assets" because they are there.

While we may hear a lot about the threat posed by Russia's nuclear arsenal, covert political operations have long since proved of little value against such closed societies. Such operations are not aimed in any significant degree at Moscow or Peking today.

Rather they are aimed at so-called third-world countries where penetration and political corruption or clandestine use of force may be easier but the threat posed to national security of the United States is also much more difficult to perceive.

As Director Colby noted in a speech before the conference on covert operations last week, the world and our perception of our interests have changed substantially and this has affected the importance of covert operations. Let me quote briefly from what he said:

> It is advocated by some that the United States abandon covert action. This is a legitimate question, and in light of current American policy, as I have indicated, it would not have a major impact on our current activites or the current security of the United States. I believe, however, that a sovereign nation must look ahead to changing circumstances. I can envisage [sic] situations in which the United States might well need to conduct covert action in the face of some new threat that developed in the world.

As he clarified in response to questions at the conference, it is Mr. Colby's view that no operations currently underway or contemplated are vital to our security at this time.

His main argument seems to be that we should maintain this capability because times may change.

No one can deny that the future is uncertain, but against that we must weigh the known costs of maintaining this capability under current executive branch decision procedures and congressional oversight.

In Laos the President waged a secret war financed and run by the CIA. The Constitution says nothing about a secret war—a concept which the Executive now seems to take as its perogative. The Constitution does not give the President power to order advisers who are nominally civilians into the field to make war in the secret name of the United States.

In Chile we admittedly spent millions of dollars over many years. First we tried to keep former President Allende out of power, and then when he was duly elected, to "destabilize" his government. We are now told that the latter effort, which even a high school student could suspect would spark a coup, was necessary to "preserve the forces of democracy in Chile."

Indeed, former CIA officials and present representatives of the State Department have suggested that Allende's government was not to be taken seriously because it was elected by a mere plurality. Well, so are many elected officials in the United States, including U.S. Senators.

I am afraid we may be glimpsing an attitude all too reminiscent of the American military officer in Vietnam who blandly explained to newsmen that we had to destroy a Vietnam village in order to save it. Are we also prepared to subvert the democratic political process in other countries in order to "promote the forces of democracy?" The result in Chile at least has been to precipitate a repressive abolition of constitutional government and widespread violation of minimal civil liberties.

We had best extricate ourselves from the quicksand of such Orwellian doublespeak before it is too late. The first step is to take a very careful look at our covert operations.

At home the consequences have been equally troubling: The perceived need to deny covert operations has led official after official in successive administrations to lie to the Congress, or, as the Executive seems to prefer to describe it, to deceive without actually lying. Thus,

Congress was not told about the secret war in Laos because, as one official later explained, the right question was not asked. When Mr. Helms was asked the right question about Chile, he seems to have lied.

Nothing is more corrosive to constitutional government than deception of Congress by the Executive. If that is the price for covert operations, it is too high a price. It becomes an absurd price when even the Director of Central Intelligence asserts that cancelling all such operations would not now have a major impact on our security.

The existence of this covert apparatus tempts Presidents to use it for illegitimate purposes. It is unnecessary to recite again the degree of CIA involvement in Watergate, much of it denied until exposed in Senator BAKER's extremely important report. But we must ask if we have learned anything. Are we simply to count on the hope that no future President will be equally tempted?

It is virtually impossible for Congress to exercise its responsibilities when it is ignorant of the facts. Congress could not long be kept in the dark about operations such as the Laotian one if a majority of both Houses were to insist—by exercising their power of the purse—that Congress should be informed. Catch 22, of course, is that we cannot demand to be told information unless we know what that information is, and if we knew in the first place, we would not need to be told.

As Morton Halpern and Jeremy Stone put it in an earlier analysis of this problem—

> The Executive branch thrives on secrecy because secrecy frees it from Congressional, judicial and public scrutiny. But the Congress suffers from secrecy because its power is based on the ability to expose, to rally public opinion, to maintain dialogue between constituents and elected officials and the press.

In a sense this problem is simply one part of the larger question of secrecy in regard to all aspects of national security affairs—Congress cannot obtain all the information it needs, or if it does obtain it, cannot use it to make a case to the American people, because the information is secret.

To a great extent, the best approach to this larger difficulty may be the most direct: simply to point out that the Emperor has no clothes and that much of the withheld material need not be secret for any reason other than to protect the Executive from criticism or embarrassment.

But covert operations are inherently secret. If they are made public they then become, by definition, part of our overt foreign policy. One cannot say: "Make them public and let us have a national debate on whether we should engage in this particular covert operation." But one can ask: "Is this trip really necessary? Do such large scale and frequent covert operations make sense. When should we be undertaking them?"

We can discuss and demand information regarding past covert operations. We can insist that the Congress and the American people be made aware of, and understand the implications of the kinds of covert activities we engage in abroad and the extent and frequency with which we undertake them.

All of this is essential for Congress to be able to conduct meaningful oversight of foreign policy—oversight which does not prove superficial or irrelevant in light of subsequently revealed secret operations.

But for me the most important long-range issue is the understanding by the American people of the impact such operations can have on our own society. What is its impact on the Government's general attitude toward deception, on the Government's general attitude toward dissident political views viewed as a threat to stability or on its attitude toward using dirty tricks and other questionable means to achieve desired ends?

Mr. President, Disraeli once said of a political opponent that his conscience had become an accomplice rather than a moral guide. It is important we make sure that our national conscience remains a guide and does not become our mere accomplice. Strengthened oversight of all clandestine activity is an essential element of that resolve.

Mr. President, I ask unanimous consent that the entire article by Morton H. Halperin and Jeremy J. Stone on this subject from which I quoted be included in the RECORD at this point.

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

SECRECY AND COVERT INTELLIGENCE COLLECTION AND OPERATIONS

(By Morton H. Halperin and Jeremy J. Stone)

We aim in this paper to assess the effects of secrecy on the conduct of American covert intelligence collection and covert operations, and the effects of those programs on American society and foreign policy. We begin with a description of the structure by which the executive branch plans and carries out covert intelligence collection and operations and then briefly discuss covert activities in which the United States has engaged since World War II This is followed by an analysis of the costs of such operations, with particular emphasis on the decision-making within the executive branch, the effect on American society, and the effects on American foreign policy. We conclude with an analysis of the covert operations and intelligence programs and some specific recommendations.

I. THE STRUCTURE OF COVERT INTELLIGENCE AND OPERATIONS

The only Congressional authorization for covert intelligence operations is contained in the Congressional Act of 1947, which created the entire national security system as well as the Central Intelligence Agency. The Act listed the primary functions of the CIA as advising the National Security Council on intelligence matters and correlating and evaluating intelligence related to national security. The fifth item listed under the functions of the CIA, under the direction of the National Security Council, was: "to perform such other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct."

Based upon this very general Congressional authority, Presidents have authorized the CIA to engage in covert intelligence collection and covert operations. Over the years, a structure has grown up within the American government for devising such programs and for implementing them.

At the heart of the covert operations is the CIA. Within the CIA such operations are centered in the "Plans Directorate," under the Deputy Director of the CIA for Plans (known as the DDP). Under the DDP there is an assistant in charge of each region of the world and operators dealing with particular countries or areas. These officials are drawn largely from a career service of covert operators within the CIA. This group is distinct from the career intelligence analysts, who serve only in Washington and only in the evaluation of intelligence material. The covert operators (who have a "cover" identification indicating that they work for the Department of Defense, the State Department, or some other agency or private organization) alternate between assignments in the CIA headquarters in Langley, Virginia, and assignments overseas.

American embassies have a separate section staffed by career covert intelligence operators from the CIA. The head of this unit, who is one of the senior officials of the embassy below the ambassador, is known as the CAS (apparently standing for Chief at Station). This unit maintains its own communications systems with Washington. In friendly countries, its members often operate as liaison with the local intelligence services, but in all cases they are available for the planning of covert intelligence collection and operations.

The only other resources known to be in the field to conduct covert intelligence operations are the military attachés attached to most American embassies. In addition, the service intelligence divisions operate intelligence-collection stations on land, and aboard ships and airplanes. Many of these operations are under the auspices of the National Security Agency, the group charged with the collecting of communications signals and their evaluation.

The National Security Council Act provided that other activities should be conducted only when the National Security Council shall direct them from time to time. In fact, procedures have grown up which provide for continuing authorization to the CIA to conduct covert operations and which put the initiative in the hands of the CIA to come forward with proposals. Beginning in the late 1950s, covert intelligence collection and operations have been approved by a committee chaired by the Special Assistant to the President for National Security Affairs. The existence of the committee and its membership have never been publicly announced, and its name (or rather the number by which it is designated) has changed from time to time. It is now apparently known as the Forty Committee, because its duties were redefined in National Security Decision Memorandum number 40.

In addition to the Assistant to the President for National Security Affairs, the members of the Forty Committee are the Deputy Secretary of Defense, the Chairman of the Joint Chiefs of Staff, the Under Secretary of State for Political Affairs, and the Director of Central Intelligence. Each member is staffed by his own department or agency. For the Director of Central Intelligence, the staffing is done by his Deputy Director of Operations and staff; for the Under Secretary of State, by a small group under an Assistant Director of the Bureau of Intelligence and Research in the Department of State; for the Chairman of the Joint Chiefs, by the Special Assistant to the Chairman for Counter Insurgency and Special Activities (SACSA). Until very recently, the Deputy Secretary of Defense was staffed simply by one of his military assistants, who relied primarily on the evaluations from the Joint Chiefs of Staff. It is possible that this function has more recently been taken over by the new Assistant Secretary of Defense for Intelligence. The Chairman of the Forty Committee, the President's Assistant for Na-

tional Security Affairs, has in the past been staffed simply by a liaison officer assigned by the CIA.

Proposals for covert intelligence collection or operations normally come from the section of the DDP charged with the relevant geographic area, and, after informal discussion among the staffs of the members of the Forty Committee, they are approved by the Committee itself. In some cases, the proposals come from other members of the committee.

Evaluation of the proposals is limited to the members of this Committee and the staffs designated for this purpose. Under normal procedures, a proposal for a covert operation in Latin America, for example, would not be cleared by the State Department desk officer dealing with that Latin American country or by the Deputy Assistant Secretary, or even, in some cases, the Assistant Secretary for Latin American Affairs. Likewise, it would not be cleared by the Regional Deputy Assistant Secretary in the Office of International Security Affairs in the Pentagon, or even by the Assistant Secretary or the military officers in the Joint Staff charged with planning and policy toward the particular Latin American country. Within the CIA itself, proposals for covert operations are normally not staffed by the Intelligence Branch of the CIA charged with collating and evaluating intelligence materials from all sources. In exceptional cases, particular people from these various organizations may be brought in to consult on a particular problem, but only at the sufferance of the officials formally involved.

Covert operations and intelligence-gathering is conducted, then, under a cloak of what we will call Super Secrecy. Executive Order 10501 specifically prohibited any classification other than the three categories it set out ("top secret," "secret," "confidential") and others authorized by law (such as those involving cryptology and atomic energy). Nevertheless, covert operations carry additional classification markings, and access to them depends on an additional set of clearances whose very existence is classified. Thus, information about them is limited very severely, even within the executive branch. Most of this paper is devoted to an analysis of the consequences of this Super Secrecy for executive-branch decision-making, for the American constitutional system, and for the conduct of American foreign policy.

II. THE RANGE OF COVERT INTELLIGENCE COLLECTION AND OPERATIONS

Covert intelligence operations are of many different kinds and raise quite different issues. The best known concern covert intelligence-gathering. At the beginning of the cold war, the United States had planes engaged in short dashes into Soviet territory. Later, the U-2 flights overflew the territory and a special technology was developed for just this purpose. Stationed around the "Communist bloc," there are planes and ships gathering electronic intelligence—information on the planes flying through Soviet airspace, transcripts of the conversations of the pilots in them, characteristics of Soviet radars, information on Soviet space and missile firings, and so on. The *Pueblo*, captured off North Korean shores, was such a ship. More information comes from satellites encircling the globe and transmitting or dropping information to earth. From satellites, very good pictures of the ground can now be developed.

Covert intelligence gathering also involves the more traditional spy, although the relative effectiveness of spying has greatly decreased. Spies run the gamut from agents injected into a foreign territory, to foreigners recruited for this purpose, to paid informers in friendly or neutral governments, to sympathizers of many kinds and degrees. The Soviet colonel Oleg Penkovsky is probably the best-known example of a spy.

Beyond covert intelligence-gathering lie the activities in support of political groups in a foreign country. Here a line is crossed between efforts to get information and efforts to manipulate. Political parties, labor unions, student groups, and military officers, etc., may be given funds, information, or other help in an effort to win influence over them and to advance shared aims. The first such operation was apparently the massive American intervention in the 1948 Italian election. Later, the United States apparently sought to buy votes in the French National Assembly to secure ratification of the European Defense Community Treaty.

Still greater involvement occurs when insurgent movements get covert support. Here, the United States takes a hand in active struggle. Examples include Indonesia in 1948. Tibet after 1949, Cuba under Batista, China immediately after the Communist revolution, and Katanga. In Iran, the United States sponsored a countercoup to restore the Shah.

Still greater support is involved when the United States seeks to give covert aid to foreign military forces. Here we have assistance to the South Vietnamese against the North, to the secret army in Laos, and to the King of Jordan.

At the end of this spectrum lie major covert military operations. In 1949 the United States air-dropped hundreds of agents into Albania in an effort, much like that of the Bay of Pigs (another example), to overthrow the Albanian government. Tipped off by the Soviet spy Harold Philby, the Albanians had no trouble putting down the revolution.

Sometimes, covert operations involve domestic manipulations, and foreign operations abroad require domestic covers. Travel organizations, student organizations, businesses, foundations, and American labor unions may all be asked to help in providing a base for covert CIA operations. Alternately, they may be infiltrated—with few, if any, of their own higher-ups being aware of it.

Lastly, the United States government cannot credibly deny any involvement in dramatic attacks or incidents abroad, a coup in Cambodia or an Israeli attack on Lebanon promptly brings charges of CIA involvement.

III. DISTORTIONS IN DECISION-MAKING

The Super Secrecy system under which decisions about covert operations are made increases the chances that such operations will be chosen over more desirable alternatives, reduces the effectiveness with which they are designed and carried out, distorts decision-making within the executive branch, and reduces the effectiveness of intelligence evaluation.

The Super Secrecy of covert operations increases the chances that the President will choose covert action rather than other, desirable options, which might be adopted given a free and open debate within the executive branch—and even more clearly if the Congress and the public were involved.

American Presidents face multiple audiences. Whatever the President does is seen not only by the foreign group against which he may be directing his action but also by leaders and active groups in other countries, by the Congress, and by the American public. One of the major attractions of covert operations is that with them one avoids the multiple-audience problem. If something is conducted in secret, then one can avoid the fight over means (as well as ends) which erupts when other audiences perceive an ongoing operation. For example, when President Nixon was asked in the summer of 1970 why the United States had been willing to send military forces to Vietnam to prevent the Communist take-over but was not willing to send American military forces to Chile to prevent a Marxist government from coming into power, he replied that the United States could not send military forces to Chile without provoking an adverse political reaction in the rest of Latin America. Though he did not make it clear at the time, it was later revealed that the United States government had engaged in *covert* operations in Chile. These operations avoided the political outcry which would come from an overt step, such as the introduction of American forces.

As compared to alternatives, the necessary approval for covert operations is easier to obtain. The President himself can often usually authorize them without having to go to Congress for funds or to make a public justification. They also seem cheap and easy because they can usually be disavowed, if necessary. Indeed, the working definition of a covert operation appears to be that it is one which can be disavowed with impunity. As with many other aspects of covert operations of this kind, extreme optimism seems to accompany the evaluation of this factor. Thus, in the cases of both the U-2 and the Bay of Pigs, an explicit element of the calculation leading to the authorization of the plan was the belief that it could be disavowed with a cover story if it was discovered.

The mechanism of decision-making also tends to bias the system toward the choosing of covert options. When the United States government is faced with a problem, meetings are held to discuss the range of overt possibilities; they are weighed against each other in an adversary procedure that will permit critics of one proposal to be heard while the proponents of that proposal are present. Covert operations are not discussed at such meetings, but are considered separately at meetings from which advocates of other proposals, and critics of covert operations, are excluded. Indeed, participants in meetings considering overt options are often not aware that covert alternatives are being considered at other meetings. Those advocating covert operations can bring them up through the mechanism of the Forty Committee, and thus do not have to compete for the time and attention of top-level decisionmakers.

These same factors serve to reduce efficiency in the design and execution of covert operations. The Super Secrecy increases the probability that covert operations will be designed and implemented poorly and with little regard for the realities of the external world or for appropriate principles of American behavior. Many problems arise precisely because the circle of people involved in covert operations is kept so very small and is limited to people who tend to be sympathetic to such operations.

Other aspects of covert operations add to the general difficulties of getting any operation evaluated by the people responsible for devising it and later responsible for its execution. For example, the "play god" aspect of covert work—involving as it often does intervention in the internal affairs of other nations—tends to attract people who are likely to be insensitive to the difficulties of the work and to its implications for American constitutional procedures. Moreover, the cabalism—the close working relationship between the small number of people involved—substantially reduces the chance that any insider will object to somebody else's favorite scheme. Officials involved from other agencies are often simply on loan from the CIA or intimately connected with CIA operations.

As in all policy areas, the responsible officials have an interest in keeping the number of participants down and to exclude those who are likely to be critics. In covert intelligence operations, a special tool facilitates such exclusion: the special clearances required for such operations. A "top secret" clearance is not sufficient; one must get spe-

cial clearances the existence of which are not even known to officials who do not have such clearances. Moreover, authority to grant them is in the hands of the officials who manage the programs, who can use this tool to exclude anyone they fear might be skeptical or critical.

Normally, an official observing an ongoing policy which he sees as a threat to his organization's interests, or to the national-security interest as he defines it, would attempt to fight his way into the process. He would argue that he has a special expertise to contribute or that the interests of his organization are involved. In covert operations, Super Secrecy makes it extremely difficult for this to occur.

First of all, the official usually does not know that the activities are under consideration or being implemented. The existence of the special clearances makes it difficult to assert a right to be involved, since one is asserting the need for a clearance whose existence one is not supposed to know and which is supposedly kept to a small number of people. Thus, someone attempting to fight his way into the evaluation of a covert operation faces not only the normal difficulties of getting into a new policy arena but special problems of appearing to be jeopardizing security requirements.

As a result, a person who finally does get cleared for a particular operation is likely to feel that he has been admitted on the sufferance of the planners. He knows he will continue to be involved only if he accepts the basic principles involved and presents his criticism on the edges of the operation. Someone who is skeptical about covert operations in general, or covert operations in a particular area, is likely not to get the necessary clearances. If he does, he may feel that he must mute his views or find himself isolated and, ultimately, have his clearance withdrawn.

With the circle of those "in the know" kept so small, those in it tend to discount the views of other government officials who are not aware of the details of covert operations. For example, expert estimates of the unlikelihood of a successful anti-Castro operation in Cuba in 1961 were discounted by the officials who knew about the Bay of Pigs operation. These officials knew they were the only ones receiving all the reports from our covert operations in Cuba; intelligence analysts in the CIA and State Department were discounted because they had not received some of the reports from covert agents operating within Cuba.

The process by which proposals for covert operations move up through the narrow group of those with necessary clearance reduces the likelihood that the senior officials on the Forty Committee will examine them critically. Proposals that come before the Committee are unanimous because of the close working relationships of the staffs involved, and they tend to be rubber-stamped by the committee. Presumably, they are also rubber-stamped by the President when they are brought to his attention. The lack of vigorous dissent, so common with other proposals of a controversial nature, leads to routine approval.

The inability of top officials to maintain control is particularly acute when an operation is very large. For then the danger of adverse political consequences exists if the operation is halted after it is well on its way. In the case of the Bay of Pigs, President Kennedy was confronted with statements from Allen Dulles that if the operation were to be canceled, Cuban refugees who had been recruited would talk about it and cause political problems because of the intense anti-Castro feeling then rampant in the United States.

One form of monitoring is often entirely absent in the case of covert activities. The press provides one critical aspect of the monitoring system over the President and other top officials. This does not occur with a covert operation unless it reaches such proportions that the press in the field begins to learn of it. (Paradoxically, in such cases the press may serve to alert other parts of the United States government to what is going on. This appears to have been the case in Laos through the 1960s, where covert activities came to the attention of many government officials through press reports from Laos.)

Super Secrecy also reduces the possibility of effective monitoring within the American government. The acknowledged need for flexibility in covert operations often makes it easy to justify discretionary authority for officials in the field to implement an approved plan. Ambassadors who sometimes provide effective monitoring or control often do not know, and do not want to know, about CIA operations in their countries. Moreover, the CIA controls its own money, people, and communications channels to Washington, often enabling it to move without normal internal executive-branch monitoring, bypassing skeptics who might otherwise try to persuade the President that it was an error and should be abandoned.

Super Secrecy of decision-making and execution of covert operations also casts a shadow over executive-branch decision-making in general on national security matters. Creating a special class of those with a "need to know" for covert operations tends to give people a sense that on all matters they are better informed than others.

Moreover, within the government, lying becomes an accepted habit. In order to protect the existence of additional clearances and of covert operations, officials with access to information about these things must routinely deceive other officials. This lying breeds cynicism and contempt for those who are lied to, and this must influence the entire pattern of decision-making.

The most obvious demonstration of how Super Secrecy distorts executive-branch decision-making is in the CIA itself. The CIA was envisioned by President Truman, who called for its creation, and by the Congress that authorized it, primarily if not exclusively as an intelligence-evaluation organization. Prior to its creation, President Truman received intelligence reports from each of the armed services and from the State Department. He felt the need for a single agency which would collate and evaluate these reports and which would do so without the bias that an operating agency had in favor of its own programs. Thus, Truman wanted a professional and independent intelligence capability.

This conception of the CIA's role differs markedly from reality because of covert intelligence operations. The CIA has always been dominated by officials whose primary concern has been covert operations rather than intelligence or evaluation. The only career officials to be named heads of the CIA—Allen Dulles, Richard Helms, and William Colby—rose through the covert side of the agency, and Helms and Colby were former DDP's before becoming Directors. The dominance of covert operations within the CIA has diminished the quality of personnel on the intelligence side. The officials who work on intelligence evaluation recognize that they are not operating in a totally hospitable environment and are unlikely to rise to the top.

Moreover, because of its involvement in operations, the CIA is not the neutral intelligence-evaluation organ that President Truman and others envisioned. It has a policy ax to grind concerning its covert operations. The Director of Central Intelligence is reluctant to put out intelligence reports that contradict a view that the CIA is pressing in the Forty Committee or in other covert intelligence channels. Super Secrecy of covert operations also reduces the quality of its intelligence over-all in that the evaluators are often uninformed of covert operations and of matters that would enhance their ability to make sensible intelligence inputs.

Thus, the covert operations staff dominating the CIA weakens it in its primary function of providing objective intelligence evaluation of ongoing problems. The Vietnam war illustrates this well. The Pentagon Papers reveal that intelligence analysts in the CIA frequently produced much more sensible estimates of the situation in Vietnam than other parts of the intelligence community did. What the Pentagon Papers do not indicate, because they did not draw on the files of American covert operations, is that the DDP was as wrong on Vietnam as any other part of the government. The CIA was heavily involved in covert operations in Vietnam, including the training and arming of ethnic minorities. The CIA operators were optimistic about the success of their programs, and the great weight of the CIA effort within the government was to defend these programs rather than to push the consequences of the pessimistic intelligence evaluations.

IV. HOW COVERT OPERATIONS DISTORT THE AMERICAN CONSTITUTIONAL SYSTEM

The American constitutional system is fundamentally distorted by secrecy—although the different branches of government are affected in different ways.

The executive branch thrives on secrecy because secrecy frees it from Congressional, judicial, and public oversight. But the Congress suffers from secrecy because its power is based on the ability to expose, to rally public opinion, to maintain a dialogue between constituents and elected officials and with the press. When a Congressman is told that CIA operations are Super Secret, self-interest makes him prefer not to know anything about it. These secret operations are dangerous to him—he may be accused of having breached secrecy if the matter gets out, yet the information is of no political use to him unless it can be made public. Only a sense of duty can sustain his willingness to participate in hearings on such matters. Indeed, in the House of Representatives, the CIA subcommittee of the Appropriations Subcommittee has a membership that is secret. The Congressmen do not want it known who they are!

The Congressmen risk being asked whether they knew of covert operations. In 1971 Senators John Stennis and Allen Ellender—the Chairmen of the Armed Services and Appropriations committees, as well as of their CIA oversight subcommittees—said that they knew nothing about the CIA-financed war in Laos, surely the CIA's biggest operation. It is hard to know whether to believe these denials, which would suggest enormous laxity in oversight.

Covert operations are especially difficult for Congressmen to come to grips with because they involve, or seem to involve, men in the field—"our boys." Every effort has to be made to protect these men and to bring them back if caught. Thus the flag is wrapped around the personnel, if not the funds, that go into covert operations.

So Super Secrecy is at the heart of Congress' problem in fulfilling its function of oversight of CIA operations. Even the authorization for CIA activities was promptly distorted in secrecy. The National Security Act authorized the CIA to: "perform *for the benefit of the existing intelligence agencies* such additional services of common concern as the National Security Council determines can be more effectively accomplished centrally; perform such other functions and duties *related to intelligence* affecting the national security as the National Security Council may from time to time direct" (italics added).

But secret directives promptly expanded these functions. Overthrowing governments, secret wars, assassinations, and fixing elec-

tions are not done "for the benefit of the existing intelligence agencies," nor are they duties "related to intelligence." It is entirely possible that a court might rule such actions unauthorized by statute. Yet within the executive branch, secret directives authorize special operations of all kinds provided they are small enough to be plausibly deniable. Unfortunately, these directives do not cover the impossible-to-deny operations: U-2 *flights*, Bay of Pigs, the Iranian coup, the Laotian war, etc.

A traditional method of Congressional control is through the power of the purse—the control of funding. The Constitution explicitly supports this power of Congress when it asserts in Article I, Section 9, Clause 7, that: "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; *and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time*" (italics added.). CIA expenditures are in violation of this constitutional clause, since no accounting whatsoever is made public. Indeed, the burial of CIA expenditures in the accounts of other departments puts the latter accounts in violation of law. They cease to be accurate.

Complete control of funding for covert operations is evidently delegated only to subcommittees of the Armed Services and Appropriations committees. This, Senator Stuart Symington would not be permitted to discuss CIA appropriations, although he is on the Appropriations Committee and the CIA oversight subcommittee of Armed Services, because he is not one of the five senior members who make up the CIA oversight subcommittee of appropriations. The full committees do not vote on these matters, nor are they discussed on the floor of the Senate sessions on the CIA.

The failure of Congress to approve covert operations hampers its activities in other ways as well. Congressmen cannot properly assess the implications of many foreign events unless they understand the extent to which these events were shaped by covert American operations. The Gulf of Tonkin affair may have been encouraged by ongoing covert operations in the Gulf, but ignorant of these activities, Congressmen considered any attack on U.S. ships to be "unprovoked."

Similarly, interpretations of the true desires of Chileans may have been based on election results in Chile which in fact were manipulated by covert American campaign contributions. The Laotians may desire to avoid fighting, but a secret war financed by a covert operation may persuade Congressmen that Laotians want to continue the struggle.

Today covert operations are what most require the Super Secrecy of the CIA. Electronic intelligence-gathering does not require it, nor does intelligence assessment. It is the potentially explosive disclosure of interference in the internal affairs of other countries that does.

CIA employees must take a special oath to maintain CIA secrets. By restricting them from discussing these matters with their Congressmen or Senators, the oaths interfere with our political system. Moreover, they constitute a special security system, unauthorized—on top of a variety of other unauthorized systems ("sensitive," etc.)

Super Secrecy has led to the widespread use, inside the CIA, of lie detectors. This may be a handy method for detecting double agents and for other use in covert operations. But their use spreads to all CIA employees, to other branches of government, and into the society at large. The funds available to the CIA make it possible for it to pioneer in a technology that undermines traditional judicial and ethical processes.

Super Secrecy as required by covert operations threatens the freedom of the press. For fifteen days, in the first prior restraint order in the history of the country against a daily newspaper, The Washington Post and The New York Times and other papers were restrained from publication of the Pentagon Papers. Part of the government's objection to publication was its fear of revealing covert operations and intelligence collection. And the only permanent injunction against free speech in the history of the United States has been issued against Victor Marchetti, a former CIA official—based partly upon his secrecy oath and partly on the need to keep secret the covert operations of which he might have knowledge.

Covert operations have led to Presidential requests to the press not to publish articles. In the case of the Bay of Pigs, President Kennedy urged *The New York Times* to do just that. When the covert operations are based in the United States, they can also interfere with individual rights. An effort to hide the fact that Tibetans were being trained in Colorado mountains led armed men to surround, and hold at gunpoint, a number of civilians who happened to witness their departure. And then the government apparently asked *The New York Times* not to publish the story.

Covert operations tend to distort the perceptions of foreign policy held not only by Congressmen but also by scholars and, in turn, the public. The entire image of U.S.-Soviet relations during the cold war would have been significantly different if U.S. penetrations of Soviet airspace had been made known. It would have shown that not all the Russians' fear of encirclement was "paranoia."

It is possible, with covert operations, to induce reactions from other nations which are self-fulfilling. Castro's anti-American attitude can be shaped by American sabotage of which he is cognizant but the American public is not. The Chinese knew that Downey and Fecteau were CIA agents; the American public did not. The North Vietnamese gauge our willingness to stay in Indochina by assessing, in part, the commitment shown through covert operations; the American public can not. In these matters, Super Secrecy is effectively directed only at the American public. The "enemy" may understand only too well what is happening, and sophisticated observers in third countries may also. But the American public is the last to know.

Government credibility suffers not only from acts of omission but also from the necessity to lie, to cover up. It was a sensation when President Eisenhower lied to cover up the U-2 incident. The extensive lies covering up the Bay of Pigs included Ambassador Adlai Stevenson's unwittingly untrue assertions in the U.N. Security Council. (Such acts are less sensational now because government credibility has sunk so much lower.) Even Presidential candidates are forced to lie. During the Kennedy-Nixon debates in 1960, both candidates were forced to wrestle with their secret knowledge of plans for the invasion of Cuba. What to say about Cuban policy in the face of this knowledge?

The Watergate affair amply documents the corruption of the political process by graduates of the CIA covert operations branch. Some of the CIA operatives hired at the lower level of the caper thought they were still working for the Agency. A more sophisticated operative is said to have gotten help in locating a suitable locksmith from a CIA roster. Throughout, the skills and techniques of CIA operators were ready and waiting. And those at higher levels directing the operatives had seen *Mission Impossible* and knew, or thought they knew, how the game was played.

The public's response to Watergate was to question why anyone should take such risks for so little. The answer probably lies in the fact that the administration had "institutionalized" dirty tricks. The same people had performed other "mission impossible" assignments, including breaking into a safe in Las Vegas, into Daniel Ellsberg's psychiatrist's office in Los Angeles. The resistance to covert operations was lowered; those who otherwise might have warned of the danger were, to that extent, silenced.

Watergate also reveals the dangers of permitting "hardened" operatives to work freely in American society. Ordinarily, only a criminal would be available to do these break-ins. The criminal element would have few contacts with a normal administration and would lack the sophistication and reliability. But a gang of Cubans led by a covert master spy like Howard Hunt is another matter. They can inspire confidence and encourage assignments from an administration.

The use of private institutions for covert operations tends to bring them all under suspicion. This is what happened when it became known that the CIA had financed the National Student Association and about 250 front organizations and conduits. President Johnson appointed a panel headed by Under Secretary of State Nicholas Katzenbach to review the ground rules for such operations. It concluded.

1. It should be the policy of the United States Government that no Federal agency shall provide any covert financial assistance or support, direct or indirect, to any of the nation's educational or private voluntary organizations.

2. The Government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities or organizations which are adjudged deserving, in the national interest, of public support.

The first resolution was adopted. But it left a number of loopholes. In the first place, organizations that seemed to be "private voluntary" might not be. They could be quietly organized as "for profit" and few would know. Alternatively, philanthropists might be enriched, perhaps through stock-market operations, and they would then endow organizations with covert uses. Meanwhile, private businesses could continue to be funded by CIA.

The second recommendation does not seem to have been adopted. The infiltration of private organizations forces people to defend their "covert stories" and lose their integrity. Friends become unsure whether they can believe each other. Persons wonder whether they should accept funds from this foundation or that. To this day, legitimate "Stern Foundations" are confused with the conduit "Stern Foundation," which the CIA used in 1966. The Asia Society and the Asia Foundation have both suffered from the decision of the latter to accept CIA funds. Suspicion spreads.

V. DISTORTIONS OF AMERICAN FOREIGN POLICY

When foreign countries are aware of U.S. covert operations and the American public is not, the possibility arises of having our government blackmailed by foreign governments. For example, they may insist on foreign aid they might not otherwise receive in return for participating in our covert activities. They may seek ransom for captured pilots—as Indonesia did in a case much like that of Gary Powers. They may hold prisoners until the United States admits they were CIA agents—apparently China's approach. And since covert operations, unlike electronic intelligence, require assets in place, the sensitive problems of purchasing and maintaining such assets can increase the risk of blackmail.

But even when pressure is not applied, CIA covert operations can lead to greater recognition of or commitment to a government. A U-2 base at Peshawar can buttress a particular regime in Pakistan. A country that gives us a base for invading Cuba, as Guatemala

did, can discover that we are committed to maintaining stability there, if only to protect the base.

Because these commitments are undertaken indirectly and without full debate, it is difficult for anyone to be sure where they will lead. Laos is a good example. The commitment and involvement may outrun the conflict in Vietnam which reinforced them. Meanwhile, the secret war may decimate the population and otherwise dramatically change the original conditions of conflict.

For businesses abroad, the charge of their possible involvement with CIA cannot be answered. The Johnson administration took the view that one could not legislate "private morality" and that, in any case, it was not improper for businesses to cooperate with a government agency in securing information. But here, as elsewhere, the securing of information is something of a "cover concept" for covert operations. While it might not be immoral, it is poor policy to permit a government agency like the CIA to get involved with businesses around the world. In the long run, American business relations will suffer and the inevitable charges of government interference wherever American business rears its head do our foreign policy no good.

The ITT case shows how successive levels of degeneration in function are revealed when dirty tricks are institutionalized. First, the NSC is requested to order covert operations on an occasional basis. In time, the CIA is proposing these operations to a passive NSC. Then, in turn, the businesses through which the CIA operates, as in the ITT case, make proposals to the CIA and try to use the Agency for its own ends. Thus work expands to fill the covert possibilities available. Secrecy debases control.

The credibility, efficiency, and authority of State Department officials are undermined by the presence of covert CIA operatives. The CIA has better communications, better logistics, larger and more available sources of secret money, and greater security of communications. Under these circumstances, its authority in the field can hardly be matched. If there are CIA operatives around, why should sources of information talk to diplomats? The reported closeness of the late President Nasser to American CIA representatives rather than to Foreign Service representatives is a case in point. Nasser may have thought that the real power lay with the CIA.

CIA operatives undermine the effectiveness of the Foreign Service not only by competing with it but by implicitly smearing it. The legitimate diplomatic operations abroad cannot prove that they are legitimate. While some sources are attracted to the CIA, others are repelled. Members of diplomatic missions are suspected of being CIA agents much as American civilians might wonder if a Soviet diplomat is really a KGB agent.

The internal power balance in a foreign country can be distorted by the alliance of the CIA with certain elements in it rather than with others. Ramon Magsaysay in the Philippines may have risen to power on the basis of help or information provided him by the CIA. Others who do not cooperate find themselves disadvantaged, relatively, even if no action is taken against them. From the CIA's point of view, small services can be of great significance—a few weapons, money, some investment advice, dirt on other members of the government, and so on.

Part of the purpose of CIA political operations is to gain just such influence as these operations make possible. But even when these "benefits" are not intended, CIA covert operations can still pervert a foreign government's structure. It is hard for a CIA operative to be passive. Some sources will be cooperating with him; others will not. Gradually, even without direct effort, the CIA—and the United States—may become aligned with and encouraging X rather than Y.

Covert operations seem to encourage rebellions or revolutions without hope. In Laos, teenagers were encouraged to fight against the North Vietnamese troops until they were destroyed. In Tibet, guerrillas fought against the Chinese in hopeless uprisings. In the Bay of Pigs, miscalculations only somewhat less obvious were made. The dynamic of covert activities seems to have a logic that can produce violence which, on later reflection, is not worth it.

VI. CONCLUSIONS AND RECOMMENDATIONS

The very existence, much less the mode of operation, of the CIA's Directorate of Plans is a legacy of the World War II Office of Strategic Services (OSS). In the hot war of the OSS, any and all tricks were considered consonant with the world-wide struggle against the Axis. Many imaginative and creative persons were drawn into its operations. After World War II, the OSS was institutionalized in the CIA. Many of the OSS operatives left, but some stayed. The pattern of imaginative involvement in covert operations remained. The cold war was seen, as late as the early 1960s, as a "long twilight struggle"; CIA covert operations fell neatly into that twilight—a gray area, whose propriety was buried in secrecy.

Today, with the cold war waning, the CI is bidding for permanent institutionalization of its structure and role. Richard Helms argued that America's role as a "great power" demands a CIA even if the cold war does not. Thus what began in a hot war and grew in a cold war may come to base its right to exist simply on the permanent fact of American power.

Meanwhile, the effectiveness of the CIA's covert operations in the industrialized world has vastly diminished. In Europe, the instability of the post-World War II period is over. We no longer need to bribe Italian dockworkers to unload our goods. In the Communist industrialized world (and in China), CIA covert operations are of little effect, even if desirable. And electronic intelligence is providing more than we want to know about most subjects of interest.

As a result, the institutionalization of covert operations is certain to lead to its influence being applied to the Third World—an area with which we are not at war, and from which we are not in danger. The governments are penetrable. The agents have room for maneuver. But there is little work that needs to be done.

In the Third World, nationalism is a proven force against the rapid Communist expansion once feared. Soviet, Chinese, and American interference in Third World states tends only to produce resistance to a large power's further involvement. The problem ceases to be one of fighting fire with fire. It becomes one of giving competitors enough rope to hang themselves. No situation better illustrates these principles than Egypt. Unusual needs in Egypt, and unusual Soviet willingness to help, has nevertheless produced a history of strained relations between the Egyptians and the Soviets and a drain on Soviet resources.

The time has come for America to change its strategy from covert intervention to nonintervention. When there is no emergency, it should be an easy choice to stand for principle. In the long battle for respect and support in the Third World, principles and integrity will be the most important force. The short-run opportunist approach embodied in the CIA's Directorate of Plans sells the long run short.

Furthermore, it will be increasingly difficult to keep covert operations secret. As each operation is "blown," our reputation will suffer; we live in an era that is increasingly impatient with such manipulations. Each covert operation is a time bomb waiting to go off.

Covert operations diminish the flexibility of American foreign policy when it is most required, in a stage of disengagement. They tend to link us to established forces and to encourage the existing tendency of American policy to resist the popular aspirations in underdeveloped countries.

Especially important, covert operations pose a serious threat to democracy at home. James Madison wrote to Thomas Jefferson on May 13, 1798: "Perhaps it is a universal truth that the loss of liberty at home is to be charged to provisions against danger, real or pretended, from abroad." The effort to suppress information about covert operations abroad has already damaged freedom of the press and freedom of speech in America. The Pentagon Papers case and the Marchetti case may be precedents for still more ominous incursions on the First Amendment. Covert interference abroad is interference with freedom at home.

Finally, the greatest Presidential scandal of modern times has arisen from the injection of covert CIA methods, used by CIA graduates, into American society. No greater signal can be given of the danger of these methods to the highest interests of Americans.

We believe, therefore, that it is time for a drastic overhauling of the Super Secrecy system surrounding the planning and conduct of covert intelligence collection and covert operations. We recommend that certain operations and structures be abolished and that the secrecy surrounding others be eliminated.

The United States should continue to conduct operations involving the collection of intelligence materials by technical means, but not in any greater secrecy than other government activities. Implementation of this purpose would mean the elimination of the special classifications surrounding these programs and a public acknowledgement of their existence.

In this category we would put the various satellite collection programs for the gathering of data by photographic and other means, as well as ships and planes carrying electronic equipment. The government should carefully review all such programs to determine which ones in fact produce information of significant importance to the United States. An assessment should be also made of which programs are provocative—running high risks of penetrating the air spaces or territorial waters of other countries. The United States should make a public statement in general terms about the activities to be continued. The budgets for such programs should be publicly identified and be a regular part of the budget of the Defense Department. Officials of the Defense Department should be required to justify them as they justify all other programs. The organizations that operate and conduct them and the responsible officials for them should be publicly identified and be made a matter of public record.

There is, of course, a case for keeping some aspects of a program secret. For example, the technology of the most advanced cameras in satellites might justify continued secrecy. However, such secrecy should be within the context of an ongoing classification system and should be treated within the government like other classified material.

We do not believe that electronic intelligence-collection programs, if any, which penetrate the air spaces or territorial waters of other countries (or run a high risk of such penetration) should be continued.

Our proposals regarding covert operations are more drastic. We believe that the United States no longer needs a large establishment whose function is to conduct covert operations and gather intelligence covertly. Accordingly, the entire covert-operations section of the CIA should be dismantled. The CIA should become what it was originally meant to be—an intelligence evaluation and coordinating organization with no opera-

tional responsibilities. This would mean eliminating the entire Plans division of the CIA and the career service of covert operators. It would mean also that the CIA would no longer have clandestine agents in overseas embassies. Their clandestine contacts with government officials and opposition groups abroad should be taken over, to the extent necessary, by State Department officials and military attaches.

Adoption of this proposal would permit the CIA to emerge from the shadows. Its functions would be discussed publicly. Its budget could be publicly identified and its functions largely explained in a public defense of its budget and operations. The intelligence-analysis branch of the CIA would become the dominant career service, with intelligence analysts rising to top positions, including that of Director.

The gains from these proposals would include the elimination of the costs to executive-branch decision-making, American society, and to American foreign policy discussed above. The adverse consequences would be minimal. If the United States government decided to conduct a limited covert operation—for example, obtaining information from a spy within a potentially hostile government—it could be carried out either by the Military attachés or by State Department officials. But there would no longer be a group whose *raison d'être* was such operations, a group constantly looking for ways to employ covert means as an instrument of American foreign policy.

VII. DISCUSSION

Mr. LOWENFELD. I am not quite sure why I was asked to be a commentator here. I was told by the organizers that they wanted somebody who had government experience in foreign affairs. As I read the paper and listened to Mr. Halpern and Mr. Stone, I realized what they meant. I was one of those guys who had all the appropriate clearances and worked on some things that I thought was critical and important, and for the most part I did not know about all those other meetings, the Super Secret meetings.

It did come across to me once. I remember in August 1964 I was Acting Deputy Legal Adviser of the State Department. Bill Bundy called up and said, "I want a resolution authorizing the President to act in Southeast Asia." It turned out that my boss, the Acting Legal Adviser, was on leave—it was the middle of August—and I was the one who picked up the phone. I said, "What happened?" He said, "Never mind; just write a resolution."

It was fairly easy to write the resolution. As any good lawyer, I had a form book. We had the Cuba resolution, the Formosa resolution, the Lebanon resolution, all contained in a nice little book called *Legislation on Foreign Affairs*. It was not too hard to dictate a Vietnam resolution. But I said, "Tell me what happened, so I can put in the appropriate "whereas" clauses." The answer was, "You are not authorized," and I never did find out.

A few days later my boss came back. He had not yet been confirmed. There was some doubt whether he could see the reports from Tonkin Gulf. I think ultimately he did briefly, but only looking over somebody's shoulder. So I knew there was something going on in Tonkin Gulf, and also that there was an attempt to limit access to the information. Whether the news was actually managed, I don't know.

I am sort of depressed by Mr. Halpern's and Mr. Stone's essay. I thought one of the excitements of my job as a government official was that I was really in on a lot of important decisions. Since then, as a teacher and scholar, I have tried to write about them. Now I have to consider that maybe I was just misinformed.

I think it may well be true that espionage is a good thing, a stabilizing influence, a force for peace. Take, for example, Soviet maneuvers in East Germany and Czechoslovakia in 1968. If you had no idea what they were doing, you thought maybe they were going to march to the Rhine or the English Channel, and maybe you got your contingency plan for the Strategic Air Command out of Omaha ready. If, on the other hand, you knew what they were doing, that they were only worried about Dubcek, and you had already decided you could not really protect Dubcek, you calm down. I think there is a lot of that in both directions. So it may well be that a certain level of espionage is a stabilizing rather than a destabilizing force.

Where does espionage tilt over into operations? That is very hard to say. Take, for example, the U-2—was that an operation or was it information-gathering? It is a bit of both. I am not sure that you can really make the separation that Messrs. Stone and Halpern suggest.

Mr. RANSOM. I am an academic observer of this subject. The only time I ever worked with the government was quite a while back, when I joined the U.S. forces to stamp out fascism—which I see returning, I am afraid, in a different uniform. I find the Halpern-Stone essay is a very original analysis, and I think I have read everything else on the subject in English dealing with how Super Secrecy and Super Secret agencies can subvert our policy-making system.

I want to say a word about definitions, because while this may seem elementary and pedantic, I think we have all discovered recently that definitions are important. At the highest levels of our government we have discovered with Watergate that there are people who don't know the difference between war and politics.

Intelligence means evaluated information. Espionage is one of the several techniques for gathering information and is by definition illegal. Counterintelligence is a police and security function. Covert or clandestine political operations are activities having no direct relation to intelligence or espionage functions, although they produce some and use some intelligence. That is all very simple, and I restate it because I feel that at the highest levels of government these distinctions are thoroughly confused.

What did Congress intend when it set up the Central Intelligence Agency? My reading of the legislative history is that Congress did not intend to create a clandestine or covert political action organization. We need further research into the legislative history—and scholarly research on this subject encounters many obstacles—but I am convinced from my research to date that Congress did not intend to authorize anything but a Central Intelligence Agency whose functions were to be related to intelligence, that is, *information*.

If Congress did not intend covert political action, how did it come about? I think it was an American reaction to Stalin and communism. The covert political activities of the last twenty-five years have been justified in the same way that we justify activities in time of war generally. We have been in a gray zone between a war declared by Congress and what has in fact been a wartime condition—a cold war since 1947.

The first big covert operation was the Italian election of 1948. Our government felt that we had to make that election come out right. Ever since then, at least until 1967, we have secretly intervened in a major way in elections all over the world. I was startled to see in *The New York Times* a few days ago that we subsidized one wing of the Italian Christian Democratic party to the tune of three million dollars a year between the early 1950s and 1967. I had no idea that as an American taxpayer I was contributing to a particular wing of an Italian political party. I think most of you here didn't know that.

Since 1948, I estimate that the CIA has conducted hundreds of "Watergates" around the globe. That is, it has waged secret political warfare, has attempted to give history a push here and there and make things happen in what our government considers its favor. As the cold war intensified after Korea, covert operations were stepped up, and came to include the secret subsidy of U.S. domestic organizations. You might say, as the cold war stepped up, covert operations came to be used internally and included, as Messrs. Halpern and Stone have indicated, the secret CIA subsidy of an estimated two hundred and twenty-five domestic organizations between the early 1950s and 1967. The most famous, of course, was the National Students Association, whose budget at one time was supported ninety per cent by a secret subsidy from the CIA.

These widespread domestic subsidies were perhaps the second greatest mistake in the history of the CIA. I would say the program of subsidizing domestic organizations was clearly against the law. What, then, was the greatest mistake? The greatest mistake was to allow CIA personnel and equipment to be used for doubly illegal acts at home—illegal because burglary is illegal, and illegal because Congress had very explicitly prohibited the use of the Central Intelligence Agency for internal purposes.

In 1971, the then Director of the Central Intelligence, Richard Helms, gave a rare public speech defending the CIA. He raised the problem of the compatibility of its activity with American democracy. He said explicitly and clearly, "We do not target on American citizens." Was he telling the truth? Because I thought he *was* telling the truth, I found something else he said even more shocking. "The nation must to a degree take it on faith we who lead the CIA are honorable men, devoted to the nation's services." I don't think that any government officials at any level should ask the American people to take it on faith that they are honorable men, because we, I hope, are a government of laws and not of men.

I recommend a thorough audit of all CIA activities, foreign and domestic, by a Hoover Commission-type study, independent of the government. It is an ordinary suggestion, but I remind you that not since 1955 has such a study been made. There have been dozens of studies of the CIA's problems by secret government committees; the government was investigating itself. In 1955, the Hoover Commission task force on intelligence activities, a very Establishment-oriented group, called public attention to the dangers that we now see have become real. We need another such study. I believe such a study should go forward separate and apart from the CIA involvement in the Watergate scandal. Watergate is going to be thoroughly investigated, but there is a much, much larger question: the policy, organization and controls of the intelligence system.

I predict such a study will recommend what Messrs. Stone and Halpern have recommended: that the CIA become again an intelligence agency, as Congress intended, and that covert operations be abolished. If we need a reserve force for covert operations, then we will create and use it. I don't rule out all overseas use of covert operations. But such covert activity is an act of war, so let's call it war and get the CIA out of it.

I predict that such a study will also call, as the Hoover Commission did in 1955, for a joint Congressional committee on intelligence activities. I realize that this is a close question. The Congressional Joint Atomic Energy Committee has not worked the way we wanted it to work. But Congress needs a sustained surveillance group for the intelligence community. Congress gave far too much away in 1947 and 1949. Congress did give the CIA the right to spend funds

secretly. Congress did give the director of intelligence the right to tell Senator Fulbright and others, "Sorry, Senator, I cannot tell you that, because Congress has given me the discretion to decide whether I should tell you this or that." Now that the CIA has been disgraced—disgraced to some extent by Watergate in the public eye—I think we have an opportunity to organize for a new Hoover Commission-type study. In 1945 Harry Truman, as President, told his Budget Director, and these are Truman's words, "I am very much against building up an American Gestapo." Tragically, Watergate demonstrated that Truman's fears were not unfounded.

Mr. KRONFELD. I think we have to take a rather jaundiced view of Congressional oversight in this area. When something comes up before the Congress, the Congressmen often don't know what they are voting on. They go by what the committee leadership says; it gets down to a very few people. The Armed Services Committee does have an oversight role now, but the oversight is done by the staff. A good example of the quality of the oversight is suggested by the fact that the just-retired chief counsel of the House Armed Services Committee was also a major general in the Marine Reserves. Most of the senior staff on the Armed Services Committee treat the junior dissident Senators with a certain disdain. They don't talk to them. They don't give them information. These junior members and some middle-rank members don't have a chance. They can't get through to the chairman, they can't get through to the staff, they have to rely on outside people.

Mr. LEWIS. I am skeptical of the suggestion that covert operations could continue safely if they were scrutinized by an effective Congressional committee. I don't believe that a joint Congressional committee is ever going to deal effectively with these matters. It won't be in on the operation early enough. It won't have the expertise. Even supposing a Senator thought landing people in Cuba was a bad idea, by the time he found out about it everybody would be all cranked up on the operation and would say, Senator, it is too late to change. It is just not a realistic notion that you can control such operations. Their whole nature is that you cannot control them, and that is the danger.

Mr. LOWENFELD. It may be possible to build in some notion of regular accountability. I am skeptical too, but it may be worth the effort.

One footnote to what Professor Ransom said about the historical record. I am more and more skeptical of the historical record. I am skeptical of the notion that in 1947 Congress did not intend the Central Intelligence Agency to do anything but evaluate. I realize that is what the statute says and that is what the formal record says, but that's just the point.

Mr. DORSEN. Are you suggesting there were separate meetings in the Congress, with a record that might not have been made public?

Mr. LOWENFELD. Sure.

Mr. CALLEN. I wish to comment on intelligence-gathering, as distinct from covert operations. I worked at the National Security Agency for eight years, sometimes helping among other things to develop analytical interception and surveillance apparatus. I agree with Professor Lowenfeld that a great deal of what goes on, in NSA at least, is very much in the interests of peace, because you don't really trust what any other government says. You really have much more confidence in what you intercept, in what they are saying among themselves.

Much of what used to be done by people is now done by satellites. You can ring the Soviet Union with interception apparatus, but that only gets at long-range communications. Microwave communications, which are short range, can be intercepted by satellites. You send the satellites high up and they swoop down low over the Soviet Union and gather stuff. So satellites play a major role in the interception of foreign communication.

The thing that interested me for all those years was how little of the surveillance technology actually diffused into our own economy, though some of it was developed right here in this country. This was, I think, because there was no force for such diffusion. Now, there is such a force—the fight against crime. The Law Enforcement Assistance Administration [LEAA] poses a very definite threat to the right of privacy and to civil liberties by funding the use of this technology in domestic affairs. For example, in Washington, we fought very hard and successfully against a group which was going to receive money from LEAA. It was going to have some $150,000 worth of equipment for an electronic surveillance van to use, they said, for fighting organized crime and heavy drug traffic. We are going to see more and more of this across the United States, funded by LEAA.

Mr. SCHWARTZ. I want to make two brief points. The first point is with regard to Congressional oversight. I think few people really feel Congressional oversight is adequate. All too often it turns into the primary dictionary meaning of the term. Yet we must use the tools we have. This is, in our constitutional governmental structure, the only real instrument we have for controlling executive action.

Secondly, as one who is not involved in this area at all, my sympathies are with the suggestions made in the paper and discussion. This bloated, elephantine apparatus that has grown up completely distorts the constitutional center of gravity. Of course, it ought to be pruned, refined, improved, and maybe abolished, and yet one has a lingering doubt. You all remember Secretary Stimson's famous remark when he dismantled this kind of operation, at what now seems a very elementary if not infantile level: "Gentlemen don't open other people's mail," he said. But what happens if, in the world, you are not dealing with gentlemen, and all other governments have this kind of thing?

Mr. HALPERN. I want to distinguish between two things. Mr. Stone and I were not proposing the abolition of reading other people's mail. That is precisely one of the things we are proposing to continue. It is very hard to make estimates; but I don't know anybody who has been in the government who would challenge the notion that something over ninety per cent, I would say ninety-eight per cent, of the useful information the United States government has comes either from overt sources: newspapers, public radio broadcasts, or thing of that kind—or from technical and intelligence-gathering: satellites, reading other people's mail, the kinds of things the National Security Agency supposedly does.

We are not proposing to abolish that range of activity. What we are proposing is to move it out of its Super Secrecy. For example, it is now clear to anybody who reads anything that the United States has a very large satellite program. It is still the case that anybody with a security clearance is violating the law if he says so publicly: The budget for spy satellites and the offices that runs them are buried. If you go as a Congressman or a citizen and say, "Who runs the satellite program which we read about in the newspapers all the time?" you can't find out. If you say, "How much does it cost?" you can't find out.

There is absolutely no reason in the world for either of those two facts to be secret, and no reason in the world for Congress not to be able to get into that program in executive session on a classified basis, the way it gets into the Minuteman missile program or any other military program.

Mr. HART. Again I want to acknowledge the work of Senator WEICKER and Senator BAKER in this area.

Mr. CHURCH subsequently said: Mr. President, earlier this morning I understand that a colloquy took place here in the Senate Chamber with respect to the policy pursued by the CIA in Chile, which has now been revealed by Mr. Colby, the CIA Director, and confirmed by the President.

In connection with that colloquy, I further understand that a bill is to be introduced which would establish a joint committee of Congress with jurisdiction over the CIA, mandated to exercise surveillance over its operations.

I believe such a bill to be necessary, and I intend to join as a cosponsor of the measure.

It was not possible for me to be on the floor at the time that the colloquy took place, but I do have some newspaper columns which relate to the Chilean affair that I think could appropriately be made a part of the record in reference to the colloquy.

Mr. President, I submit for your approval and ask unanimous consent that the following articles be printed in the RECORD at the conclusion of my remarks: An article by Tom Wicker, the New York Times columnist entitled, "Secret War on Chile," and an editorial from the September 11, 1974, edition of the Christian Science Monitor.

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

(See exhibit 1.)

Mr. CHURCH. Mr. President, it seems to me that these two articles eloquently sum up the issues which are raised for this country arising out of the CIA's intervention in Chile for the purpose of "destabilizing" the government of the constitutionally elected President of Chile, Salvador Allende Gossens. Mr. Allende was a Marxist, and I would not have chosen him or the ideas he advocated for my own country. But the fact is that he was elected, in accordance with the electoral process established by the constitution of Chile, as President of that country.

As the Christian Science Monitor states:

> It apparently is permissible for the CIA to maneuver against local governments which Washington does not like—this is deemed in the national interest but when the U.S. declines to use its influence to dissuade repressive regimes from anti-democratic excesses—as in South Korea or Greece—this is justified as "non-interference in another country's internal affairs.

Or, as Mr. Wicker pungently puts it:

> The real questions are whether this supposedly peace-loving and democratic nation has any legal or moral right to conduct covert operations abroad, and whether any Administration of either party has the constitutional authority to order taxpayers' money spent for clandestine warfare against the legitimate government of a sovereign country.

EXHIBIT 1

CIA AND CHILE

Now the facts are coming to light. The Central Intelligence Agency was not the innocent bystander in Chile that the United

States Government tried to imply it was at the time of the overthrow of Salvador Allende.

The CIA, it turns out, engaged for years in clandestine activities against the late Chilean President. CIA director William Colby acknowledged in secret testimony to the Congress that some $8 million had been authorized by a high-level intelligence committee headed by Henry Kissinger to "destabilize" Allende's Marxist government and bring about its downfall after 1970.

The disclosures are shocking and dictate *the urgent* need for a public scrutiny of national security policies, a reform of CIA functions, and a system of strict accountability for CIA actions. They also point again to the deception practiced by previous administrations.

The State Department sticks by its guns. It stated this week it backs the testimony of high officials who previously told Congress that the U.S. had not intervened in the domestic affairs of Chile after Allende's election.

Clearly the full story has yet to be told. In light of the developing dispute we favor full-scale public hearings into the CIA's role in Chile, as called for by Congressman Michael Harrington.

This is not the first time the CIA has been involved in questionable covert operations against foreign states. Its record includes the aborted Bay of Pigs invasion, the secret war in Laos, and efforts to overthrow governments in Iran and Guatemala. More recently, the domestic front, it furnished the White House "plumbers" with technical aid and a psychiatric profile of Daniel Ellsberg—acts that violated its mandate.

The record is disturbing.

However distasteful, clandestine operations sometimes are necessary. If a foreign power, for instance, is engaged in activities in a country that could impair American interests, it stands to reason the U.S. must know what it is up to. But gathering information and exposing Communist subversion, say, are one thing. Attempts to undermine or overthrow legitimate governments are quite another.

A distressing aspect of all this is the double standard which the U.S. has set for its international conduct. It apparently is permissible for the CIA to maneuver against local governments which Washington does not like—this is deemed in the national interest. But when the U.S. declines to use its influence to dissuade representative regimes from antidemocratic excesses—as in South Korea or Greece—this is justified as "noninterference" in another country's internal affairs.

If the CIA is permitted to abet the disintegration of constitutionally elected governments—however unpalatable their ideology— does not the U.S. lose its moral authority to condemn similar subversive action by a Communist power?

The Allende regime was hardly a model for Latin America. But the late President did carry on his Marxist experiment within the constitutional framework. If Washington chose not to render help—except to the Chilean military—that at least was an overt if debatable, position.

But by colluding in the effort to undermine the Chilean Government by covert means, Washington has only helped destroy the credibility of the argument that Communists should participate in the democratic process rather than seek power through violent means.

SECRET WAR ON CHILE

(By Tom Wicker)

On the very day that President Ford extended preventive pardon to Richard Nixon, another high crime of the Nixon Administration was being disclosed in The New York Times. Public outrage because of the pardon must not be allowed to obscure this sordid story of indefensible American intervention in the internal affairs of Chile, in the years just before the violent overthrow of the Allende Government and the death of President Salvador Allende Gossens.

Secretary of State Henry Kissinger appears to have been a principal force in this covert intervention, and is being charged once again with not having told the whole truth to a Senate committee. Demands are being heard for a reopening of the hearings which recommended his confirmation as Secretary.

The Times story, by Seymour Hersh, was based on a letter from Representative Michael Harrington of Massachusetts to Chairman Thomas E. Morgan of the House Foreign Affairs Committee. The Harrington letter gave an account from memory, of testimony to a House Armed Services subcommittee by William E. Colby, the director of the Central Intelligence Agency.

Mr. Harrington said he had twice read a transcript of the Colby testimony. As he described it to Mr. Morgan, Mr. Colby said that the Nixon Administration had authorized about $8 million to be spent covertly to make it impossible for President Allende to govern. Specifically, $500,000 was authorized in both 1969 and 1970 to help Mr. Allende's election opponents, and $350,000 was later authorized for bribing members of the Chilean Congress to vote against ratifying Mr. Allende's election.

Later $5 million was authorized for clandestine "destabilization" efforts in Chile; and in 1973, $1.5 million was provided to help anti-Allende candidates in municipal elections. The authorizing body for all this C.I.A. activity was the so-called "40 Committee" of the Nixon Administration—a committee chaired by Henry Kissinger.

But Mr. Kissinger told the Senate Foreign Relations Committee during his confirmation hearings that "the C.I.A. had nothing to do with the coup, to the best of my knowledge and belief." While that may have been true in the narrowest sense, it was at best one of those torturous non-lies in which governments specialize and at worst a concealment of the true nature of U.S. policy toward the Allende Government and the scope of American activities to undermine that Government.

Similarly, Edward M. Korry, ambassador to Chile during most of the period in question, denied under oath to a Senate subcommittee that there had been American attempts to "pressure, subvert, influence a single member of the Chilean Congress." Charles A. Meyer, a former Assistant Secretary of State for Latin-American affairs, also swore that the United States had scrupulously followed a policy of non-intervention in Chile.

No wonder, then, that Senator Frank Church, to whose subcommittee this sworn testimony was offered, was reported to be outraged upon learning of the Colby testimony. He has properly raised not only the possibility of perjury charges but the question of comprehensive hearings by the full Foreign Relations Committee on the intervention in Chile.

If such hearings are held, or if Mr. Kissinger's confirmation hearings should be reopened—as they already have been once, to inquire into charges that he did not tell the whole truth about wiretaps on reporters and some of his associates—the inquiry should press much further than the candor of official testimony, important as that question is.

But as one Government official pointed out to Mr. Hersh, if covert activities against another country are authorized, Government officials—sometimes including Secretaries of State and Presidents—have to lie about them. Lies are part of the business. The real questions are whether this supposedly peace-loving and democratic nation has any legal or moral right to conduct covert operations abroad, and whether any Administration of either party has the constitutional authority to order taxpayers' money spent for clandestine warfare against the legitimate government of a sovereign country.

These questions are long overdue for full and open debate; the Colby testimony, for example, said the first intervention against Mr. Allende was ordered by Lyndon Johnson in 1964. Congress, the press, Presidential candidates—all have consistently shied away from this subject. Supposed liberals have pled the supposed need to be "hard-nosed." The real need is to face the fact that gangster schemes of bribery, violence and even assassination are being carried out, in the name of the great American people.

The C.I.A. may be only an instrument, but it seems to have its own sinister vitality. The Chilean efforts, in fact, were authorized by the lineal descendent of a body set up by the Kennedy Administration to "control" the C.I.A. Isn't it clear at last that such "control" can be achieved only by a Government with the political will to cut the C.I.A. in half, or kill it altogether?

ORDER VACATING ORDER FOR RECOGNITION OF SENATOR CHURCH

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the recognition of Mr. CHURCH be vacated.

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

Mr. ROBERT C. BYRD. If any Senator wishes time, I have time under an order which I shall be delighted to yield.

Mr. President, there being no request for such time, I yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. The Senator from West Virginia yields back the remainder of his time.

ROUTINE MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of routine morning business not to extend beyond the hour of 9:30 a.m., with the statements therein limited to 3 minutes.

QUORUM CALL

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

RECESS SUBJECT TO THE CALL OF THE CHAIR

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate stand in recess awaiting the call of the Chair, with the understanding that the recess not extend beyond the hour of 9:30 a.m. today.

There being no objection, the Senate, at 9:14 a.m., recessed subject to the call of the Chair; whereupon, the Senate reassembled at 9:27 a.m. when called to

order by the Acting President pro tempore (Mr. METCALF).

QUORUM CALL

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

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

The assistant legislative clerk proceeded to call the roll.

Mr. ALLEN. 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.

MESSAGES FROM THE HOUSE

At 12:30 p.m., a message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the House disagrees to the amendments of the Senate to the bill (H.R. 15580) making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1975; agrees to the conference requested by the Senate on the disagreeing votes of the two Houses thereon; and that Mr. FLOOD, Mr. NATCHER, Mr. SMITH of Iowa, Mr. CASEY of Texas, Mr. PATTEN, Mr. OBEY, Mrs. GREEN of Oregon, Mr. MAHON, Mr. MICHEL, Mr. SHRIVER, Mr. CONTE, Mr. ROBINSON of Virginia, and Mr. CEDERBERG were appointed managers of the conference on the part of the House.

The message also announced that the House disagrees to the amendment of the Senate to the bill (H.R. 6274) to grant relief to payees and special indorsees of fraudulently negotiated checks drawn on designated depositaries of the United States by extending the availability of the check forgery insurance fund, and for other purposes.

ENROLLED BILLS SIGNED

The message also announced that the Speaker has affixed his signature to the following enrolled bills:

S. 210. An act to authorize the establishment of the Boston National Historical Park in the Commonwealth of Massachusetts;

S. 3301. An act to amend the act of October 27, 1972 (Public Law 92-578);

H.R. 6395. An act to designate certain lands in the Okefenokee National Wildlife Refuge, Ga., as wilderness;

H.R. 12000. An act to enable egg producers to establish, finance, and carry out a coordinated program of research, producer and consumer education, and promotion to improve, maintain, and develop markets for eggs, egg products, spent fowl, and products of spent fowl; and

H.R. 13595. An act to authorize appropriations for the Coast Guard for the procurement of vessels and aircraft and construction of shore and offshore establishments, to authorize appropriations for bridge alterations, to authorize for the Coast Guard an end-year strength for active duty personnel, to authorize for the Coast Guard average military student loads, and for other purposes.

The enrolled bills were subsequently signed by the Acting President pro tempore (Mr. BAKER).

At 4:10 p.m., a message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the House insists upon its amendments to the bill (S. 1283) to establish a national program for research, development, and demonstration in fuels and energy and for the coordination and financial supplementation of Federal energy research and development, and for other purposes; disagreed to by the Senate; agrees to the conference requested by the Senate on the disagreeing votes of the two Houses thereon; and that Mr. UDALL, Mr. BINGHAM, Mr. SEIBERLING, Mr. TEAGUE, Mr. MCCORMACK, Mr. RUPPE, Mr. DELLENBACK, and Mr. MOSHER were appointed managers of the conference on the part of the House.

The message also announced that the House disagrees to the amendment of the Senate to the bill (H.R. 14214) to amend the Public Health Service Act and related laws to revise and extend programs of health revenue sharing and health services, and for other purposes; agrees to the conference requested by the Senate on the disagreeing votes of the two Houses thereon; and that Mr. STAGGERS, Mr. ROGERS, Mr. SATTERFIELD, Mr. KYROS, Mr. PREYER, Mr. SYMINGTON, Mr. ROY, Mr. DEVINE, Mr. NELSEN, Mr. CARTER, Mr. HASTINGS, Mr. HEINZ, and Mr. HUDNUT were appointed managers of the conference on the part of the House.

COMMUNICATIONS FROM EXECUTIVE DEPARTMENTS, ETC.

The ACTING PRESIDENT pro tempore (Mr. BAKER) laid before the Senate the following letters, which were referred as indicated:

SUPPLEMENTAL APPROPRIATIONS FOR THE DEPARTMENT OF LABOR (SEN. DOC. 93-111)

A communication from the President of the United States proposing supplemental appropriations for the fiscal year 1975, involving transfers of $7,400,000 from other appropriations, for the Department of Labor (with accompanying papers). Ordered to be printed and referred to the Committee on Appropriations.

SUPPLEMENTAL APPROPRIATIONS FOR THE DEPARTMENT OF LABOR (SEN. DOC. 93-110)

A communication from the President of the United States proposing supplemental appropriations for the fiscal year 1975 in the amount of $9,650,000 for the Department of Labor (with accompanying papers). Ordered to be printed and referred to the Committee on Appropriations.

PETITIONS

Petitions were laid before the Senate and referred as indicated:

By the ACTING PRESIDENT pro tempore (Mr. BAKER):

A resolution adopted by the Council of the city of Cleveland, Ohio, memorializing the Congress to design and implement an effective program of food price control. Referred to the Committee on Banking, Housing and Urban Affairs.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MUSKIE, from the Committee on the Budget:

S. Res. 406. An original resolution authorizing supplemental expenditures by the Committee on the Budget for inquiries and investigations (Rept. No. 93-1157). Referred to the Committee on Rules and Administration.

By Mr. CANNON, from the Committee on Rules and Administration, without amendment:

H.R. 5507. An act to authorize the conveyance to the city of Salem, Ill., of a statue of William Jennings Bryan (Rept. No. 93-1158);

S. Res. 382. A resolution authorizing additional expenditures by the Committee on Armed Services for routine purposes (Rept. No. 93-1159);

S. Res. 388. A resolution relating to the printing of legislative proceedings with respect to the death of former Senator Ernest Gruening (Rept. No. 93-1160); and

S. Res. 396. A resolution relating to the printing of legislative proceedings with respect to the death of former Senator Karl E. Mundt (Rept. No. 93-1161).

By Mr. MAGNUSON, from the Committee on Commerce, without amendment:

H.R. 16102. An act to amend the Emergency Daylight Saving Time Energy Conservation Act of 1973 to exempt from its provisions the period from the last Sunday in October 1974, through the last Sunday in February 1975 (Rept. No. 93-1162).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first time and, by unanimous consent, the second time, and referred as indicated:

By Mr. BAKER (for himself, Mr. WEICKER, Mr. HART, Mr. CHURCH, Mr. MANSFIELD, Mr. JAVITS, Mr. HUMPHREY, Mr. CRANSTON, Mr. MONTOYA, Mr. INOUYE, Mr. BROOKE, and Mr. PEARSON):

S. 4019. A bill to establish a Joint Committee on Intelligence Oversight. Referred to the Committee on Government Operations.

By Mr. NELSON:

S. 4020. A bill to amend the Small Business Act to authorize Federal revenue sharing grants to States to develop model programs to demonstrate the effectiveness of the use of independent State and local small business enterprise centers to provide technical assistance and other useful and practical services to small businesses, and for other purposes. Referred to the Committee on Banking, Housing and Urban Affairs.

By Mr. DOMINICK:

S. 4021. A bill to exclude from the gross income of individuals the interest on an amount of savings not in excess of $20,000. Referred to the Committee on Finance.

By Mr. MCGOVERN (for himself, Mr. ABOUREZK, and Mr. CURTIS):

S. 4022. A bill to amend the Small Business Act to provide for compensation for small business and other losses arising out of the disturbances at Wounded Knee, S. Dak. Referred to the Committee on Banking, Housing and Urban Affairs.

By Mr. DOMINICK:

S. 4023. A bill to amend the Internal Revenue Code of 1954 to eliminate certain limitations on medical and dental expense deductions. Referred to the Committee on Finance.

S. 4024. A bill to establish within various agencies an Office of Consumer Advocacy. Referred to the Committee on Government Operations; and

S. 4025. A bill for the relief of Laszlo Sebo. Referred to the Committee on the Judiciary.

By Mr. BELLMON:

S. 4026. A bill for the relief of Filemon J. Inocencio, Sr., Noemi S. Inocencio, Pamela Ann Inocencio, Filemon Jose Inocencio, Jr.; and

S. 4027. A bill for the relief of Nur Badshah. Referred to the Committee on the Judiciary.

By Mr. BELLMON (for himself, Mr. CURTIS, Mr. DOLE, Mr. HELMS, Mr. MCGOVERN, and Mr. YOUNG):

S. 4028. A bill to authorize the Secretary of Agriculture to carry out an emergency assistance program to assist States in relieving severe drought conditions that threaten to destroy livestock or crops. Referred to the Committee on Agriculture and Forestry.

By Mr. HELMS:

S. 4029. A bill to require the reduction of the rate of compensation of Senators, Representatives, and Cabinet officers by the percentage by which nontrust fund outlays of the U.S. Government exceed nontrust fund receipts during a fiscal year. Referred to the Committee on Post Office and Civil Service.

By Mr. GRAVEL:

S. 4030. A bill to amend section 5 of the Food Stamp Act of 1964 to provide that certain benefits received by persons under the Alaska Native Claims Settlement Act shall be disregarded in determining the eligibility of the households of which such persons are members to participate in the food stamp program. Referred to the Committee on Agriculture and Forestry.

By Mr. MCCLURE:

S. 4031. A bill to authorize the Secretary of the Army to delegate to the States certain functions with respect to the location and plans for structures, excavations, or fills in or on certain navigable waters. Referred to the Committee on Public Works.

By Mr. DOLE:

S. 4032. A bill to amend the Congressional Budget Act of 1974 to require the Congressional Budget Office to prepare inflationary impact statements in connection with legislation reported by Senate and House committees. Referred, by unanimous consent, to the Committee on Government Operations and the Committee on Rules and Administration.

By Mr. HUMPHREY (for himself and Mr. MONDALE):

S.J. Res. 242. A joint resolution designating the National Air and Space Museum, as the Charles A. Lindbergh National Air and Space Museum. Referred to the Committee on Commerce.

By Mr. MCGOVERN:

S.J. Res. 243. A joint resolution to provide direction to the U.S. delegation to the World Food Conference. Referred to the Committee on Foreign Relations.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. BAKER (for himself, Mr. WEICKER, Mr. HART, Mr. CHURCH, Mr. MANSFIELD, Mr. JAVITS, Mr. HUMPHREY, Mr. CRANSTON, Mr. MONTOYA, Mr. INOUYE, Mr. BROOKE, and Mr. PEARSON):

S. 4019. A bill to establish a Joint Committee on Intelligence Oversight. Referred to the Committee on Government Operations.

(The remarks of Mr. BAKER and other Senators on the introduction of the above bill appear earlier in the RECORD.)

By Mr. NELSON:

S. 4020. A bill to amend the Small Business Act to authorize Federal revenue sharing grants to States to develop model programs to demonstrate the effectiveness of the use of independent State and local small business enterprise centers to provide technical assistance and other useful and practical services to small businesses, and for other purposes. Referred to the Committee on Banking, Housing and Urban Affairs.

SMALL BUSINESS DEVELOPMENT ACT OF 1974

Mr. NELSON. Mr. President, this is a bill to amend the Small Business Act to authorize Federal revenue sharing grants to States to develop model programs to demonstrate the effectiveness of the use of independent State and local small business enterprise centers to provide technical assistance and other useful and practical services to small businesses, and for other purposes.

I am proposing this model grant legislation because we tend too often to ignore the general problems of small businesses in our overall approach to preserving and strengthening American free enterprise. For while other laws, and even other provisions of the Small Business Act itself, are designed to help particular groups of small business concerns—such as agriculture businesses or minority businesses—or are designed to help all small business concerns with particular types of problems—such as governmental procurement policies or obtaining small business loans, there is no program designed to aid small business concerns with the entire range of problems they face.

This program represents a new step toward the goal of strengthening the position of small businesses in our sagging economy. It is designed as an experimental program, with the purpose of developing and analyzing methods and techniques so that we may utilize the more successful ones to realize that goal.

Such a model program requires considerable flexibility, and for that reason I propose to allow individual States wide latitude in designing and conducting their own model programs.

Accordingly, this act authorizes the Small Business Administration to distribute the funds appropriated under its provisions to participating States with a minimum of strings attached. States entering into agreements with the administration for use of these funds must only specify the type of centers or training programs they expect to fund or establish, the goals of those programs, and the availability of non-Federal funds to match the revenue-sharing grants on a dollar-for-dollar basis.

The latter requirement is necessary, I feel, to insure that participating States make a positive commitment to aiding small business concerns, and to get the maximum effect out of the expenditure of each Federal dollar. States desiring to participate in the program and meeting the minimal requirements spelled out in the act will divide the funds available, based on their population relative to the total population of the participating States, except that no individual State may receive more than 10 percent or less than one-half of 1 precent of the available funds.

The Small Business Administration shall have no authority to withhold more than 10 percent of the funds appropriated pursuant to this act for purpose of administration and evaluation of the program, and it may withhold a model grant from a State making a timely application only upon a finding that the State's proposal would abuse the purposes of the act.

Thus, as you can see, the model grants will allow participating States a wide flexibility in molding and shaping their own responses to the problems in their communities. I sincerely believe that out of such model programs will come fresh new ideas and new approaches that might otherwise be impossible to obtain through programs run entirely at the Federal level.

Under this bill, Congress would authorize a Federal expenditure equal to approximately one program dollar for each of the 12.5 million small business concerns in America today. Out of the model programs that will be developed under this act, I expect to lay the groundwork for a network of local enterprise centers, coupled with a centralized system for gathering, storing and dispersing information, that would begin to give small business concerns the ability to compete on a more equal footing with the corporate and institutional giants that are currently moving toward total dominance of the American economy.

This model grantmaking authority is in no way designed to replace existing public and private assistance programs, such as are authorized under other legislation. Rather, it is intended that the programs established at the State and local level pursuant to these model grants will strengthen and draw together the assistance available from such other sources, and through vigorous outreach methods, bring other public and private services to the attention of all small businessmen.

It is envisioned that the programs and techniques developed under these model programs will evoke the spirit of success and adaptability to change found in the services provided by the Department of Agriculture Extension Service to farms and agricultural small businesses. Agents and centers operating under the Agriculture Extension Service have fostered the rapid dissemination of new managerial and technical knowledge, working to coordinate such disparate elements as State university systems and research stations, banking centers, equipment manufacturers, Federal price support administrations, Federal, State, and local tax structures, and much more, into a usable package of resources for the busy American farmer and agricultural small businessman.

Mr. President, I believe assistance of this sort for the nonfarm small business is necessary today, and that existing programs simply fail to provide it. An examination of the existing programs would bear me out.

The Small Business Administration, for example, has recognized the need for technology transfer to prospective and operating small businesses, and the need

for an increased effort in spreading good management techniques, "particularly through motivating the private sector." To that end, individual counseling is available through SBA field offices, but to date such counseling comes nowhere near the scale necessary to reach into communities separated by distance and inadequate channels of communication.

Volunteer retired and active executives, through the SCORE—service corps of retired executives—and ACE—active corps of executives—programs, provide management counseling to small businesses. This volunteer program has been transferred from the SBA into the ACTION agency, as directed in the President's reorganization plan in 1971. Concern has been expressed by some of my colleagues on the Senate Select Committee on Small Business that this transfer may affect levels of support and effectiveness of these efforts, and we are awaiting an evaluation of its impact.

The technology utilization program, which identifies and provides to interested small businesses technological advances resulting from federally financed research and development, began as a program of great potential. The Senate Select Committee on Small Business found in 1970 that about 6,000 small firms benefited through this program and estimated an increase in profits of $8.3 for every Federal dollar expended in this program. Yet, SBA has proposed to terminate this program, in a move which has met strong congressional objections. A subcommittee of the House Permanent Select Committee on Small Business held a hearing in June 1973, in which the value of this program to small business concerns was well documented. Requests were subsequently sent by members of both Senate and House Committees on Small Business to the SBA to continue and to expand the technology utilization program, but the future of this program remains precarious, unless the SBA fully commits its support to such activities.

The Small Business Institute, begun in September 1972, uses senior and/or graduate business students from schools in major metropolitan areas to advise local businessmen and women, who are SBA borrowers and are encountering difficulties. But this program ignores the many million nonborrowers or emerging small businesses who could benefit from such advice.

The need exists for a clearinghouse run by knowledgeable business agents to process the information, advice, and services available to the small business concern, and to develop additional expertise in areas important to the small businessman and women. What is more, such a clearinghouse must be available to the businessman at the local level, in his own community, if it is to have the desired effect. And the only way to provide these services effectively is through States and localities in close touch with the local business situation.

In my home State of Wisconsin, for example, I can see widely disparate types of assistance available, with no adequately funded effort being made to bring them together so that they might be effectively utilized by a nonfarm small businessman. In Wisconsin alone there are 83 resource agents operating under the Department of Agriculture who devote some of their time and energies assisting nonfarm small businesses in rural areas.

There are several Department of Defense people devoting full time as well as 41 persons on the payroll of the Small Business Administration, and at least 10 college professors assisting small business on a recognizable basis or teaching related programs for big and small business alike. Wisconsin has the Northern Wisconsin Development Center with six full-time professionals dealing mostly with struggling small businesses in the poor northern counties of Wisconsin. The Department of Business Development of the State of Wisconsin has several people who deal almost exclusively with the small business sector. In addition to all these, there is a multitude of small business consultants, trade associations, as well as general small business associations, bankers, accountants, and lawyers. Each of these latter organizations and individuals may spend as little as 5 percent of its time solving general small business problems—but even that 5 percent can be of little help to Wisconsin enterprises unless there is some way to draw their various offerings together.

Out of the model programs established under this bill the various States should be able to pool their ideas and come up with flexible responses to the needs of small business. And since States must match the Federal money they receive on a dollar-for-dollar basis, we can expect the States electing to utilize this money to be highly motivated toward fulfilling those needs.

Mr. President, I urge my colleagues to join me in sponsoring this vital piece of legislation. Small business deserves equal access to information and technology, and we now realize that the Government will have to take steps to protect our small businesses and the large number of people they employ against the debilitating effects of an increasingly complex technocracy. The need for this governmental assistance does not arise because America's system of true free enterprise does not work—but because it is too rapidly being replaced by a system of welfare for corporate giants.

As the Small Business Administration stated in its 1971 Annual Report,

> The primary requirement for entry and survival in business in the years ahead will be the acquisition of the appropriate technical and managerial skills.

Through this bill—through the expenditure of just one Federal dollar for every small business in America—I sincerely hope our States can begin to develop a system in which the small business man and woman can redress the economic balance that has swung so precariously against them.

I ask unanimous consent that the bill be printed in the RECORD at this point.

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

S. 4024

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. This Act may be cited as the "Small Business Development Act of 1974."

SEC. 2. The Congress hereby finds and declares that—

(1) A small business concerns rarely have access to useful and practical advice, information and services, of a type which can generally be purchased by large corporations or is available through the Department of Agriculture Extension Service to farms and agricultural business concerns, such as assistance in obtaining loans, in obtaining advice and information with respect to production methods or managerial, marketing or produce development, or in obtaining technical advice and assistance with respect to government policies or legal problems affecting such concerns, and that such concerns are often harmed thereby through no fault of their own to the detriment of our nation's economy;

(2) State and local governments are better aware of local problems and local conditions in business communities than the Federal government and are therefore better equipped than the Federal government to develop and establish programs designed to aid small business concerns in such communities; and

(3) A model grant program of limited cost and duration giving each State wide flexibility in developing and establishing centers to aid small business concerns will best serve the interests of the American economy at this time and guide Congress in determining the need for and best method of providing such aid in the future.

SEC. 3. Section 8 of the Small Business Act is amended by adding at the end thereof the following new section:

"(f) The Administration is empowered to enter into agreements with States to make model program revenue sharing grants to such States out of funds appropriated pursuant to this subsection for the purpose of developing and establishing State and local centers to provide technical assistance and other useful and practical advice, information and services to small business concerns; for the training, where necessary, of personnel to provide such services; and for the study of the effectiveness of providing such assistance through such small business enterprise, State and local centers. Model program grants made by the Administration pursuant to such agreements shall be subject to the following restrictions and limitations:

"(1) The application of a State for a model program grant under this subsection shall specify among its program goals the number and types of small business enterprise centers to be established, the types of assistance and services to be provided to small business concerns, and the program or programs to be utilized, where necessary, for the training of professional employees of such centers.

"(2) The Federal share of any State model program funded pursuant to this subsection shall not exceed 50 percent of the total cost of such program, and any State which seeks to enter into an agreement with the Administration pursuant to this subsection shall specify the availability of non-Federal funding for at least 50 percent of the model program it proposes. Model program grants to a State under this subsection may be shared by such State with local governments or private, nonprofit institutions in such State.

"(3) All States submitting valid applications for a model program grant pursuant to this subsection within 180 days of its enactment into law for fiscal year 1975, and thereafter within 90 days immediately preceding the commencement of the fiscal year for each subsequent fiscal year, shall be

eligible to divide all funds appropriated by Congress pursuant to this subsection for such fiscal year among themselves in proportion to the population of each State relative to the combined population of all States submitting valid applications within the prescribed time, except that no such State shall be eligible to receive more than 10 percent of the total amount available for dispersal in any fiscal year and no such State shall receive less than ½ of 1 percent of such total amount.

"(4) The Administration shall not withhold a model program grant pursuant to this *subsection* from any State whose timely application describes its program goals as specified in paragraph (1) and guarantees the availability of non-Federal funding for at least 50 percent of the program as specified in paragraph (2). The Administration may withhold such grant only if it determines that the program described in a State's application represents an abuse of the purposes of this subsection or that a State does not intend in good faith to establish a model program to assist small business as described in its application or does not intend to make available from non-Federal sources at least 50 percent of the total cost of such model program.

"(5) Each State entering into an agreement to establish model programs under this subsection shall monitor and evaluate such programs and submit such evaluations to the Administration within one year of the receipt of each model program grant under this subsection, and the Administration shall evaluate the experiences of each State participating in this program and submit such evaluations, together with the evaluations made by each State, to Congress."

"(6) There is authorized to be appropriated to the Small Business Administration $15 million for the fiscal year 1975, and such sums as may be necessary for the fiscal years 1976 and 1977, to fulfill the purposes of this subsection. No more than 10 percent of funds appropriated pursuant to this subsection shall be utilized by the Administration for the purpose of administering the model grant program and reviewing the results of the State programs and reporting to Congress, as required in paragraph (5), or for any purpose other than making model program grants to States."

By Mr. DOMINICK:

S. 4021. A bill to exclude from the gross income of individuals the interest on an amount of savings not in excess of $20,000. Referred to the Committee on Finance.

Mr. DOMINICK. Mr. President, I am introducing a bill to encourage citizens to increase their savings and thus to reduce the inflationary pressures in our economy. This bill would exclude from the personal income of any person any interest earned on up to $20,000 in savings.

The economy is plagued by shortages and inflation. Expanding our industrial capacity is essential to our anti-inflation battle. Capital investment in job creating new plants and equipment must result from increased savings. A direct way to increase the supply of capital which may be invested in new plants and equipment is to encourage more people to save money. There are few incentives to save, however, when there is a prevailing attitude of "spend today because tomorrow's prices will be higher." This bill would help to stem the flight of money out of savings accounts and thus provide more needed capital for investments in housing, in industry, in energy projects and in other areas of our economy where shortages exist.

Savings and loan institutions are experiencing disintermediation—an outflow of savings—to other, higher yielding debt instruments. This is drying up funds in the housing market. The short supply of mortgage money has sent homebuyers' interest rates to record levels. This bill would stimulate the housing market and preserve a competitive savings and loan industry.

Another purpose of this bill is to provide some relief for the retired person who must live on the interest from his life savings. With the prevailing double digit rate of inflation the person with interest income is barely earning one-half the inflation rate. This bill would protect the pensioners and other people who rely on savings from the ravages of inflation and allow them to enjoy the fruit of their earlier labor.

Mr. President, both dividends and capital gains income receive tax advantages, but income from savings receive none. I am hopeful that the Finance Committee recognizes this unfairness and will soon hold hearings on my bill.

By Mr. McGOVERN (for himself, Mr. ABOUREZK, and Mr. CURTIS):

S. 4022. A bill to amend the Small Business Act to provide for compensation for small business and other losses arising out of the disturbances at Wounded Knee, S. Dak. Referred to the Committee on Banking, Housing and Urban Affairs.

PROPERTY COMPENSATION FOR WOUNDED KNEE VICTIMS

Mr. McGOVERN. Mr. President, in May of 1973, Senator ABOUREZK, Senator CURTIS and I introduced two bills which would have made possible a reimbursement to those who lost property during the Wounded Knee occupation and in related instances of violence and destruction in Nebraska and in other places in South Dakota.

Those who bore these losses were in a serious financial condition then. A year and a half later, their condition is critical. Many are in extreme distress, with their livelihoods gone, their possessions destroyed, and their homes still not replaced after having been vandalized or burned.

I remain convinced that the Federal Government has a moral obligation to help the innocent victims of Wounded Knee to restore their homes, farms and businesses. At this late date I do not want to debate the wisdom of the Department of Justice in refraining from earlier, decisive action to end the occupation. But it is clear that a great deal of damage would have been avoided had they moved more promptly. And it is also clear that much of the damage people are still suffering came as a direct result of Government decisions. I contend that gives the Federal Government a clear responsibility to compensate.

Therefore, I propose today a new bill which would amend the Small Business Act. It would set up machinery to administer the appropriate relief.

I hope, Mr. President, that we can act promptly on this bill. The proposals are modest. Preliminary reports indicate the cost would not exceed $5 million. Yet this small investment would enable the innocent victims of Wounded Knee to return to normal, self-supporting lives after these many months of hardship.

I ask unanimous consent that the text of this bill be printed at this point in the RECORD.

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

S. 4022

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Small Business Act is amended by adding at the end thereof the following new section:

"SEC. 21. (a) The Congress finds that—

"(1) many innocent persons suffered injuries and losses as a result of the disturbances at Wounded Knee, South Dakota, in 1973, and other related disturbances;

"(2) many such injuries and losses occurred as a result of the forebearance of the Department of Justice in dealing with the disturbances; and

"(3) the Government of the United States has an obligation to compensate innocent persons for injuries and losses for which they would not otherwise receive compensation.

"(b) As used in this section—

"(1) 'Commission' means the Wounded Knee Compensation Commission established under subsection (c) of this section;

"(2) 'innocent person' means any person or entity as to whom the Commission has reasonable grounds to believe (A) was not willfully engaged in such disturbances when that person or entity suffered the loss or injury as the result of such disturbances or related disturbances, and (B) was not responsible for such loss or injury;

"(3) 'uninsured loss or injury' means any damage to property, personal or real (including livestock, loss of earnings, or damage to business), or any personal injury which would not have occurred but for such disturbances and for which compensation would not otherwise be received; and

"(4) 'related disturbance' means any disturbance or event occurring during the period January 1, 1973, to and including May 9, 1973, within the States of Nebraska and South Dakota in which any nonresident of Wounded Knee occupying Wounded Knee during all or part of such period was involved.

"(c) (1) There is established a temporary commission to be known as the Wounded Knee Compensation Commission.

"(2) (A) The Commission shall—

"(i) receive and accept claims filed with it within 1 year after the date of enactment of this section by any person seeking compensation for injuries and losses which arose out of, or were caused by, the disturbances at Wounded Knee, South Dakota, or any related disturbance;

"(ii) determine whether a person filing such a claim is an innocent person and therefore is entitled to such compensation;

"(iii) determine the amount of such compensation to which any such innocent person is entitled; and

"(iv) make an award to any such innocent person in a sum equal to 100 percent of the amount of such compensation.

"(B) (i) Any final decision of the Commission pursuant to subparagraph (A) of this paragraph may be appealed to the Court of Claims.

"(ii) The Court of Claims shall have jurisdiction to review by appeal any final decision of the Commission with respect to a claim filed under this section.

"(d) (1) The Commission shall submit to the Congress such interim reports as it deems advisable, including a report, not later than six months after the date of enactment of this section, relating to the amount and extent of damage resulting from such disturbance and all related disturbances.

"(2) Not later than 18 months after the date of enactment of this section, the Commission shall submit to the Congress and the President a final report, together with such recommendations, as it deems advisable.

"(3) The Commission shall cease to exist 60 days after the submission of its final report.

"(e) (1) The Commission shall be composed of 5 members appointed by the President.

"(2) Three members shall constitute a quorum, but a lesser number may conduct hearings. The Chairman shall be selected by a majority of the members of the Commission.

"(3) Members of the Commission shall, while serving on the business of the Commission, be entitled to receive compensation at a rate fixed by the Director of the Office of Management and Budget but not in excess of $125 per day, including traveltime; and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem, as authorized by section 5703 of title 5, United States Code.

"(4) (A) The Commission or, on the authorization of the Commission, any subcommittee thereof, may, for the purpose of carrying out the provisions of this section, hold hearings, administer oaths for the purpose of taking evidence in any such hearings, take a testimony, and receive documents and other matter. Any member authorized by the Commission may administer oaths or affirmations to witnesses appearing before the Commission, or any subcommittee thereof.

"(B) Each department, agency, and instrumentality of the executive branch of the United States Government shall furnish to the Commission, upon request made by the Chairman, such information as the Commission deems necessary to carry out its functions under this section.

"(C) The Commission, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchaper III of chapter 53 of such title, relating to classification and General Schedule pay rates, shall have the power—

"(i) to appoint and fix the compensation of such personnel as it deems necessary;

"(ii) to procure the services of experts and consultants in accordance with section 3109 of such title; and

"(iii) to adopt such rules and regulations as it deems necessary to carry out this section.

"(f) Any right of action of any person compensated under subsection (c) of this section, arising out of the disturbance at Wounded Knee, South Dakota, or any related disturbance, shall, at the time payment of the compensation required under such subsection is made, be assigned by that person to the United States Government and such right of action shall inure to the Government.

"(g) The Commission shall certify to the Treasurer of the United States, and the Treasurer of the United States shall pay, all awards made pursuant to subsection (c) of this section."

SEC. 2. There are hereby authorized to be appropriated such funds as are necessary to carry out the amendment made by this Act.

By Mr. DOMINICK:

S. 4024. A bill to establish within various agencies an Office of Consumer Advocacy. Referred to the Committee on Government Operations.

Mr. DOMINICK. Mr. President, once again the Senate has failed to invoke cloture on S. 707, a bill to create an Agency for Consumer Advocacy, which means this legislation will not be enacted during the 93d Congress.

I have received criticism in my home State of Colorado for the position I have taken against this bill. Ralph Nader, who helped thrust those universally hated seatbelt interlock systems upon the American public, was so strongly behind this bill that he dropped by my State to tell everyone to write to me urging that I support it.

Mr. Nader, unintentionally I am sure, has given some Coloradans the impression that my opposition to this bill means I am anticonsumer. However, I am confident that those who have followed my voting record closely during my 14 years in the House and Senate know the opposite is true. I have always supported legislation I believed to be in the consumer's interest. I voted for the Fair Packaging Act, the Truth in Lending Act, the Federal Meat Inspection Act, the Deceptive Sales Act, and a host of other bills in the consumer interest.

Furthermore, I am not insensitive to the complaints that the consumer's interest is not always represented in decisions made by Federal agencies—the complaints, I might add, that led to the attempt to create the Agency for Consumer Advocacy that was defeated today.

I recognize the need to have the consumer's viewpoint represented in governmental decisions, but the Congress has been going about doing this in the wrong way. Creating a super agency as proposed in S. 707 causes more problems than it solves, as I pointed out on the Senate floor in a statement on August 20, 1974. Is it not a far better solution to have a consumer advocate representing consumer interests placed within each agency? I think it is, and I have today introduced legislation to provide for such advocates within 16 Federal agencies.

These advocates would represent the interests of consumers with respect to matters under consideration by each of the 16 agencies and would participate in all agency proceedings, including any rulemaking, adjudicatory, or license proceeding which may substantially affect the interests of consumers.

The head of each of these 16 agencies in which there would be established an Office of Consumer Advocacy would be required, under my bill, to assign to such office sufficient personnel to enable that office to carry out the functions assigned to it and to delegate such powers as he may have to require the production of testimony, documents, or other information as may be necessary to enable the office to carry out its functions in the consumer's interests.

The agencies in which I propose to place consumer advocates are:

The Atomic Energy Commission, the Civil Aeronautics Board, the Consumer Product Safety Commission, the Environmental Protection Agency, the Farm Credit Administration, the Federal Communications Commission, the Federal Home Loan Bank Board, the Federal Maritime Commission, the Federal Power Commission, the Federal Trade Commission, the Interstate Commerce Commission, the National Credit Union Association, the National Labor Relations Board, the Securities and Exchange Commission, the U.S. Postal Service, and the Postal Rate Commission.

Mr. President, I hope my colleagues on the Government Operations Committee, to whom I believe this bill will be referred, will give it speedy consideration. It is not too late to act upon this bill this session, particularly if the Congress reconvenes after the November elections.

By Mr. BELLMON (for himself, Mr. CURTIS, Mr. DOLE, Mr. HELMS, Mr. MCGOVERN, and Mr. YOUNG):

S. 4028. A bill to authorize the Secretary of Agriculture to carry out an emergency assistance program to assist States in relieving severe drought conditions that threaten to destroy livestock or crops. Referred to the Committee on Agriculture and Forestry.

Mr. BELLMON. Mr. President, the purpose of this bill is to provide matching funds to States and their political subdivisions for weather modification to provide immediate long-term relief from drought.

I chaired a Senate Agriculture Committee field hearing on August 19, 1974, in Lawton, Okla., on S. 3313, the emergency drought act of 1974. As a result of the hearing in Lawton, I am introducing this bill which incoporates most of the features of S. 3313 plus some additional elements. Basically, it authorizes the Secretary of Agriculture to use up to $5 million annually in CCC funds to cost share with the States on weather modification programs designed to prevent or alleviate damage to crops and livestock and crops due to drought.

At the hearing the Secretary of the Oklahoma Water Resources Board testified that a $250,000 expenditure for cloud seeding in five southwestern Oklahoma counties in 1972 produced a 20 to 1 cost-benefit ratio in terms of increased crop production alone.

Dr. Merlin Williams, director of the South Dakota State Weather Modification program, testified that a program in that State produced a 30 to 1 cost-benefit ratio on increased crop production.

The Federal Government has had experimental programs going for a number of years through the Department of Interior and the Department of Commerce, but Congress has never taken the step necessary to create an operational program.

The drought we have seen this summer and the effect it is having on crop production, dramatically points to the need for an operational weather modification program.

The Agricultural Stabilization and Conservation Service estimates they will pay farmers $500 million in drought relief in 1974 and some estimates have run closer to $1 billion. In 1973, the Farmers Home Administration made $557 million in disaster loans to the agriculture sector to unfavorable weather conditions. Approximately 70 percent of these were forgiveness loans, with the remainder of the loans being made at 1 percent. The

Federal Crop Insurance Corporation paid $31 million in indemnities in 1973 with 34 percent of this being drought relief. Mr. President, it is obvious that an expenditure of up to $5 million for weather modification annually would save the Treasury many millions each year as well as preventing widespread hardship.

In a time when agriculture crop production is becoming increasingly important, the United States must effectively use the technology we have to manitain our upward trend of production to help fight inflation.

I ask unanimous consent that the text of this bill be printed in the RECORD.

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

S. 4028

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agriculture and Consumer Protection Act of 1973 is amended by adding a new paragraph (28) as follows:

"DROUGHT PREVENTION"

"(28) (a) In order to help reduce the necessity for drought disaster payments as provided in paragraphs (8) (D), (18) (B), and (20) (C) of this Act, the Secretary is authorized and directed to formulate and carry out an emergency drought assistance and prevention program in any State in which livestock or crops are threatened because of drought conditions.

"(b) Assistance under this Act shall be made available in the form of financial grants to States or political subdivisions thereof, or organizations approved by the Secretary for the purpose of assisting and initiating weather modification measures designed to provide immediate relief from drought conditions. The Secretary shall not make any funds available to any State or political subdivision thereof, or organization under this section unless (1) a detailed outline of the proposed action intended to be taken with funds available under this section is presented and (2) agreement is made to utilize for such proposed action an amount of non-Federal funds equal to not less than the amount to be made available by the Secretary.

"(c) Nothing herein shall prohibit any State, or political subdivision thereof, or organization from undertaking weather modification efforts independent of the provisions contained herein.

"(d) The Secretary is authorized and directed to coordinate with all appropriate Federal and State agencies in monitoring and reporting the results of any assistance granted under any of the provisions of this paragraph.

"(e) The Secretary is authorized to enter into contracts with Federal, State, or political subdivisions thereof, private firms, institutions, and individuals for the conduct of research or surveys, and the preparation of reports and other activities necessary to carry out and monitor weather modification programs.

"(f) The Secretary shall define by regulations the conditions under which grants shall be made available under this section.

"(g) The Secretary shall transfer from the funds of the Commodity Credit Corporation not in excess of $5,000,000 annually to provide the assistance herein authorized."

By MR. HELMS:

S. 4029. A bill to require the reduction of the rate of compensation of Senators, Representatives, and Cabinet officers by the percentage by which nontrust fund outlays of the U.S. Government exceed nontrust fund receipts during a fiscal year. Referred to the Committee on Post Office and Civil Service.

SALARIES OF CABINET OFFICERS AND MEMBERS OF CONGRESS SHOULD BE REDUCED IN PROPORTION TO THE FEDERAL DEFICIT

Mr. HELMS. Mr. President, I send to the desk the Congressional Cabinet Salary Control Act of 1974. It would provide that beginning with the next year following its enactment, the rate of compensation of Senators, Representatives, Delegates, the Resident Commissioner from Puerto Rico, and each officer listed in level I of the Executive schedule in section 5312 of title 5, United States Code—the members of the President's Cabinet—be reduced by the same percentage that nontrust fund outlays of the U.S. Government exceed nontrust fund receipts during the preceding fiscal year.

The bill is simple. At the end of a fiscal year, one need only compute the percentage by which the Federal budget—in terms of nontrust fund receipts and expenditures—was not balanced, and the salaries of Members of Congress, Delegates to the House, the Resident Commissioner from Puerto Rico, and the members of the President's Cabinet will be reduced during the following fiscal year by that same percentage.

The logic behind the bill is also simple. Congress is the body responsible for appropriating more money than the U.S. Treasury is expected to collect, and the members of the Cabinet are the senior officials overseeing the functioning of the Departments. By penalizing our own salaries to the extent of our improvidence and mismanagement, we will all be more directly aware of the value of a dollar. Our problem in Congress is that it is relatively painless to vote for billions of dollars which do not come directly out of our pockets. After all, it is the American taxpayer at large who must pay up. But if our own paychecks are penalized directly in proportion to our mismanagement of the taxpayers' funds, then we will be more scrupulous in observing fiscal prudence.

A few months ago, the Senate voted not to allow the salaries of its Members to be raised. I was one of those voting against the salary increase. I did so because I felt, and I still feel, that excessive Government spending and our unbalanced budget was one of the primary causes of the current rate of spiraling inflation. If economy is needed to curb inflation, and in my view it is very much needed, there is no better place for economy to begin than right here in the Congress of the United States. I was very pleased by the Senate's action on that occasion. Though the compensation of Members of Congress is a very small percentage of the entire national budget of over $305 billion, it is important that the Members of this body lead by example. If Federal expenditures are to be cut, there is no better place than here.

Under this bill, Congress will have a choice of two ways to reduce Federal expenditures. It can appropriate less money, and thereby balance the budget, or it can continue the excesses of the past, and correspondingly reduce the salaries of its Members.

And, I might say, that this is a much better choice that we are offering to the American people. The high rate of inflation caused by Federal deficit spending has driven interest rates to an astonishingly high level. As my colleagues are aware, the savings institutions of our country are suffering financial ruin. The housing industry is facing possible disaster, and the lumber and furniture industries have for some time been caught in the spiraling economic chaos.

Certainly, I need not remind my colleagues of the ever-increasing food prices—or, for that matter—the ever-increasing price of just about everything.

Mr. President, I remain convinced that we will not solve our economic problems unless and until we balance the Federal budget, and stop living today on tomorrow's money. On six separate occasions, the distinguished Senator from Virginia (Mr. HARRY F. BYRD, JR.) and I have cosponsored legislation to require the President to submit a balanced budget to Congress.

I have pointed out, on many occasions, that the interest on the national debt alone was $30 billion a year, or about $54,000 a minute—almost $1,000 every time the clock ticks.

On September 17, 1973, the total debt—rounded into millions—was $460.4 billion. A year later, on September 17, 1974, it was $480.8 billion, an increase of about $20.4 billion during the preceding 12 months.

One might well wonder where it will end. Of course, the end is obvious. If action is not taken to stop deficit spending, the result will be economic disaster. The American people know it. The polls show it. Depression is feared in every part of the country.

The simple fact of the matter is that Congress created this situation, and only Congress can do something about it. It is not pleasant to contemplate one's own folly—but, I, for one, believe it is time for Congress to look the American people in the eye and confess: We caused it—we and our predecessors, who permitted the Government of the United States to wander around so long in the swamps of deficit financing—and, worse still, let the people believe that it was sound economics to do so.

The time has come to bite the bullet, to admit our economic mistakes of the past, and to turn to logic and simple arithmetic for an honest solution to our problem. A solution must address the cause of the problem, not just the symptoms. For the sake of the well-being of the people we represent, we simply must balance the budget and begin the hard and painful task of bringing this inflation to an end. This bill will make the consequences of improvident spending apparent to us all.

Mr. President, I ask unanimous consent that the bill I am introducing be printed in the RECORD at this point in my remarks.

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

S. 4029

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this

Act may be cited as the "Congressional-Cabinet Salary Control Act of 1974".

SEC. 2. Notwithstanding any other provision of law, beginning with the next fiscal year following the date of enactment of this Act, and every succeeding fiscal year, if the outlays of the United States Government (excluding outlays for trust funds) for the preceding fiscal year exceed receipts (excluding receipts of trust funds) of the Government for such preceding year, then during the immediately succeeding fiscal year the rate of compensation that each Senator, Representative, Delegate, and the Resident Commissioner from Puerto Rico, and each officer listed in level I of the Exectuive Schedule in section 5312 of title 5, United States Code, would have been paid but for the enactment of this Act shall be reduced by a percentage equal to the percentage by which such outlays exceed such receipts.

By Mr. GRAVEL:

S. 4030. A bill to amend section 5 of the Food Stamp Act of 1964 to provide that certain benefits received by persons under the Alaska Native Claims Settlement Act shall be disregarded in determining the eligibility of the households of which such persons are members to participate in the food stamp program. Referred to the Committee on Agriculture and Forestry.

Mr. GRAVEL. Mr. President, in 1884, the Congress of the United States entered into a solemn covenant with the Native people of Alaska. It stipulated that some future Congress would determine the means by which the Native people of Alaska would be compensated for land already taken from them.

Mr. President, Public Law 92–230, the Alaska Native Claims Settlement Act was a sincere effort to faithfully adhere to the conditions of that covenant. The Committee on Interior and Insular Affairs spent more time on the Alaska Native Claims Settlement Act than it had on any other issue in its entire history. The committee, led by its distinguished chairman, was unceasing in pursuing the goal of enacting a just settlement. That goal was achieved. A just settlement was reached.

And now, because of administrative misjudgment, a Federal agency is in direct disregard of the congressional intent of the Alaska Native Claims Settlement Act.

The U.S. Department of Agriculture's Washington headquarters has notified its regional offices that payments to individuals and households under the Settlement Act were not to be disregarded as income for determining the eligibility of those seeking benefits under the food stamp program. However, the USDA's directive went on to say that stock held in the various native corporations and land granted under the Settlement Act were to be disregarded as assets available to individuals and households applying for food stamps.

The Department has misinterpreted the intention of Congress in enacting the Alaska Native Claims Settlement Act. It was not the intention of Congress to have payments considered as personal income for the purpose of determining eligibility for various Federal programs. Unless action is taken, the present policy will result in a fluctuation of those eligible for food stamp benefits. Certain persons will lose their food stamp eligibility, only to reestablish it once their claims payments have evaporated and their income level has again fallen.

Mr. President, the Alaska Native Claims Settlement Act was not a welfare bill. It was a just settlement. The provisions of the Settlement Act should not be construed as to make those for whom the settlement was made ineligible for Federal programs. Food stamp benefits are for all eligible citizens of the United States. But because Congress enacted legislation that gave just compensation for that portion of land that was taken, Alaskan Natives are now ineligible for food stamp benefits.

In order to rectify this matter, I am introducing legislation today that will amend section 5 of the Food Stamp Act of 1964. This legislation will enable Alaskan Natives to share in the benefits of the food stamp program.

Alaskan Natives should be treated like all Americans. Administrative callousness must end. The food stamp program has provided aid to countless Americans and Alaskan Natives should not be disregarded.

I ask my colleagues to reaffirm a covenant that was made 91 years ago and to act favorably on this measure.

By Mr. McCLURE:

S. 4031. A bill to authorize the Secretary of the Army to delegate to the States certain functions with respect to the location and plans for structures, excavations, or fills in or on certain navigable waters. Referred to the Committee on Public Works.

Mr. McCLURE. Mr. President, today I introduce a bill to authorize the Secretary of the Army to delegate to the States certain functions with respect to the location and plans for structures, excavations or fills in or on certain navigable waters. The purpose of this legislation is to allow the Secretary to delegate his permit authority on waterways which meet the definition of navigable waters, but which in fact are not regularly used for commercial transportation, to those States which have adopted a similar permit system which the Secretary determines is satisfactory to protect the interests of the United States on those waterways.

To fully understand the history of this problem, we have to go back to the 1899 Rivers and Harbors Act. Section 10 of that act states that a permit must be obtained from the Corps of Engineers before a structure, excavation, or fill can be placed on navigable waters. However, the act does not go on to define what a navigable waterway is. Therefore, over the years, through legal actions, the courts of the United States have established the definition of navigable waters. The latest definition is set out in section 209.260 of title 33 of the Code of Federal Regulations. Generally, that definition is that navigable waters of the United States are those waters which are presently, or have been in the past, or may be in the future susceptible for use in purposes of interstate or foreign commerce.

Up until a few years ago, the corps was using a loose interpretation of this definition which stresses the existing commercial navigability of the waterway. Not much attention was paid to previously commercial waterways or to waters with the potential for commerce. The waterway also had to go from commercial starting point in one State to the final destination in another State, with no land links in between. Therefore, if the water was presently being used for commerce and if the commercial transportation was entirely waterborne, then the waterway was considered navigable. Permits were then required from the corps, under the 1899 act to insure that structures built out into the water would not interfere with the flow of commerce.

However, in the late 1960's, the Nixon administration was very concerned about the effects of pollution on the waterways of the United States and sought ways to control it. One way was to start enforcing other provisions of the old 1899 Rivers and Harbors Act, provisions which deal with discharges into navigable waters. And to insure that all waters would be included and thereby protected from pollution, the definition of "navigable waters" was expanded to use an earlier definition which includes any waterway in which a log could float in high water. The end result was to broaden the Corps of Engineers' jurisdiction so that permits would be required for discharges, as well as structures, on the Nation's waterways. In this way, the corps became highly active in water pollution control.

Eventually, the jurisdiction for the control of pollution was transferred to the Environmental Protection Agency, and the corps reverted back to its traditional jurisdiction over structures. However, the experience of being concerned with environmental matters had a lasting effect on the corps. Instead of going back to their traditional concern over structures which interfere with only the commercial flow, they were now also concerned with the effects of structures on fish and wildlife in the water, on the quality of the water, on the recreation resources and so on. The corps would say that they changed their emphasis from what is good for commercial navigation to what is good for the public interest.

Subsequently, they started using a more strict interpretation of the definition of navigable waters so that the permits would be applied to more waterways. They were no longer concerned with only waters which were presently being used for interstate commerce: they were now also concerned with waters which were once used for and/or could possibly be used in the future for commercial navigation. And they were no longer concerned only with waters which provided entirely waterborne transportation: They were now also concerned with waters which would or could serve as one line, in conjunction with land transportation or other water links, with the interstate movement of commerce.

This interpretation had a profound effect on the corps' scope of jurisdiction. Before the shift in emphasis, many bodies of water had been investigated by the corps to determine if they were navigable Because the original emphasis was on existing commerciability, many of these waterways were not subject to corps jurisdiction because they were either not then being used for commercial transportation, or if they were they did not provide the entire commercial route. However, after the shift in emphasis, the corps went back and looked at several previously undesignated waters, applied the new interpretation and declared them navigable and thus subject to permits.

This is what has happened at Lake Coeur d'Alene and its feeder lakes and rivers in the State of Idaho. In 1932, the corps made a navigability study of the Spokane, St. Joe, St. Maries, and Coeur d'Alene Rivers and determined them to be non-navigable under the then-existing interpretation of the definition of navigable waters. In 1950, the corps evaluated the navigable status of Lake Coeur d'Alene and determined that it and its tributaries were not considered to be navigable waters of the United States.

And yet on January 2, 1974, Lake Coeur d'Alene, Lake Chatcolet, Round Lake, Hidden Lake, and the lower reaches of the St. Joe River were declared navigable waters and made subject to permits. In the two earlier studies it was determined that these waters were not being used as the sole highway for commerce; in 1974 it was determined that they form a viable link in a chain of transportation which carries commerce between the States. And yet there is no appreciable difference in the navigable status since the earlier studies—and there was no change in the law by any legislative body.

Of course, the corps is quick to point out that the 1899 act does not say that permits are applicable to those waters which the corps determines are navigable, but rather those which simply are navigable. Therefore, if a waterway meets the definition as handed down by the courts, it is subject to permits whether the corps gets around to enforcing it or not. And while there are few who would deny that Lake Coeur d'Alene is navigable according to that definition, there are many who would object to the corps' whimsical application of the 1899 act. It is one thing to administer the law as it was intended and quite another to shift back and forth between interpretations of its administration.

The situation is not unique to North Idaho. I know of at least two other examples; namely, Kuapa Pond in Hawaii and Lake Oswego in Oregon. In each case, these are waters which would meet the legal definition of a navigable water and yet are not being used for commercial navigation. In fact, they have become essentially recreation-oriented waters.

This is particularly true at Lake Coeur d'Alene in Idaho. The shoreline property is mostly privately owned and the lake is lined with lovely summer and permanent homes. With few exceptions, the use of the water is now dominated by recreation endeavors—boating, fishing, swimming, sailing, et cetera. Cruise ships offer scenic trips the length of the 30-mile long lake and up into the St. Joe River and annual hydroplane boat races have been held on Lake Coeur d'Alene. The lake lies on a major east-west thoroughfare, and tourism has become one of the most important industries of the community—and that is mostly water-oriented.

And yet the corps has declared this a navigable waterway and is requiring permits for the construction of any additional docks or piers for the boats and for any excavation or fills to perhaps add a patio or deck to a summer home. It seems to me that there are many other waterways which are truly supporting commercial navigation and which are more deserving of the corps' time and attention. In situations such as that at Lake Coeur d'Alene, it seems more appropriate to let the State handle the matter of permits and to let the corps devote its efforts to areas more truly navigable. Such is the purpose of this bill.

There are certain stipulations, however. The bill does not allow the Secretary of the Army to delegate this permit authority to just any State which might have a situation comparable to that of Lake Coeur d'Alene, Kuapa Pond or Lake Oswego. The bill specifies that the authority will be delegated only to those States which themselves have adopted a program to regulate and control developments along such navigable, but not commercially navigable, waters. The issue here is not whether or not the permits should be required, but rather whether or not it is necessary for the Federal Government to be involved in such a function. I maintain that it is not.

I might further add that the intent of this bill is not objectionable to the Corps of Engineers. During recent hearings before the Senate Public Works Committee, I raised the question of navigability to representatives of the corps, and specifically asked whether or not they would deem it desirable to have a provision for cession of jurisdiction to the State where the State has appropriate statutes. Brig. Gen. James Kelly responded that they would not object and that in fact they were endeavoring to do that very thing. However, since there is no provision in the law which would allow them to completely delegate their authority, the best they can do now is to try to set up a parallel operation with the States that are exercising similar authorities. I am now proposing the law by which the Corps would delegate the authority.

I ask unanimous consent that the text of the bill be printed at this point in the RECORD.

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

S. 4031

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army is authorized to delegate to any State his functions and the functions of the Chief of Engineers under the two provisos in section 9 and section 10 of the Act of March 3, 1899 (30 Stat. 1151; 33 U.S.C. 401, 403), relating to the approval of the location and plans for any structures on or in, or any excavation or fill in, the navigable waters of the United States but such delegation may be made only with respect to such waters in such State as are not used regularly for commercial transportation by water and shall be upon condition that such State has enacted into law a program providing for the exercise of such functions in a manner which the Secretary determines is satisfactory to protect the interests of the United States in such waters.

SEC. 2. The Secretary of the Army shall prescribe by regulation criteria for State programs meeting the requirements of the first section of this Act and such other regulations as may be necessary to carry out the provisions of this Act.

By Mr. DOLE:

S. 4032. A bill to amend the Congressional Budget Act of 1974 to require the Congressional Budget Office to prepare inflationary impact statements in connection with legislation reported by Senate and House committees. Referred, by unanimous consent, to the Committee on Government Operations and the Committee on Rules and Administration.

Mr. DOLE. Mr. President, last Wednesday, September 11, I introduced S. 3992—the Inflationary Impact Statement Act of 1974. Before inviting cosponsorship of what I consider this very worthwhile measure, however, I am today introducing a substitute bill which contains minor technical corrections and refinements in language.

The major thrust of the proposal remains unchanged, and my remarks accompanying S. 3992 on the above date are still descriptive of the general purpose and intent of the legislation. The bill—to which I shall henceforth refer by the new number being assigned today—will require that a statement regarding the inflationary impact of legislation reported to either House of Congress be prepared by the Congressional Budget Office.

Because it is designed to amend the Congressional Budget Act of 1974—which was itself considered by both the Committee on Government Operations and the Committee on Rules and Administration—I ask unanimous consent that this bill likewise be referred to both those committees for consideration.

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

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

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

S. 4032

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

That this Act may be cited as the "Inflationary Impact Statement Act of 1974".

SEC. 2. FINDINGS.

The Congress finds that—

(1) inflation is the number one problem facing Americans;

(2) Federal programs and expenditures which Congress authorizes have a significant impact on the economy and can play a major role in the fight against inflation; and

(3) it is imperative that Congress be informed of the inflationary impact of any program which comes before it for consideration so that the inflationary impact can be balanced against the beneficial aspects of the program.

SEC. 3. INFLATIONARY IMPACT STATEMENTS.

(a) Section 403 of the Congressional Budget Act of 1974 is amended—

(1) by striking out "and" at the end of paragraph (1),

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof "; and",

(3) by inserting after paragraph (2) the following new paragraph:

"(3) a statement of the probable inflationary impact of such bill or resolution in the fiscal year in which it is to become effective and in each of the 9 fiscal years following such fiscal year, based on the amount of new budget authority authorized by such bill or resolution and the assumption that new budget authority will be authorized by subsequent legislation which will result in outlays in each of such 9 fiscal years, unless, with respect to any such fiscal year, the Director determines that it is improbable that outlays will occur in such fiscal year.", and

(4) by striking out "estimate and comparison" in the last sentence and inserting in lieu thereof "estimate, comparison, and statement".

(b) The provisions of subsection (a) are enacted by the Congress as an exercise of its rule making power as provided by section 904(a) of the Congressional Budget Act of 1974.

By Mr. HUMPHREY (for himself and Mr. MONDALE):

S.J. Res. 242. A joint resolution designating the National Air and Space Museum, as the Charles A. Lindbergh National Air and Space Museum. Referred to the Committee on Commerce.

NATIONAL AIR AND SPACE MUSEUM SHOULD BE NAMED IN HONOR OF CHARLES A. LINDBERGH

Mr. HUMPHREY. Mr. President, I am today submitting for myself and my distinguished colleague from Minnesota (Mr. MONDALE), a Senate joint resolution which would designate the National Air and Space Museum, as the Charles A. Lindbergh National Air and Space Museum.

This new museum would proudly announce to the world the role played by America's pioneer in aviation, Charles A. Lindbergh. It is fitting that we honor Lindbergh and his distinguished accomplishments with a living monument, the National Air and Space Museum.

Lindbergh's solo flight to Paris in the *Spirit of St. Louis* captured the imagination of America and the world. It expressed the soul of America and the coming of the age of international air transportation. Lindbergh symbolized the best of America. He was one of the best-loved American heroes, yet he was a quiet and humble man. We in Minnesota, the State where he was raised, feel a special loss in his passing.

I believe Congress should provide for an appropriate commemoration of Charles Lindbergh's lifetime of service to this Nation. Therefore, I propose that we designate the National Air and Space Museum as the Charles A. Lindbergh National Air and Space Museum.

Mr. President, I ask unanimous consent that the text of the joint resolution, as well as an editorial in the Christian Science Monitor, of August 28, 1974, and articles on the life of Charles Lindbergh, appearing in the August 27, 1974, issue of the New York Times, be included in the RECORD.

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

S.J. RES. 242

Whereas Charles A. Lindbergh was a distinguished pioneer in aviation;

Whereas he captured the imagination of America and the world with his 1927 solo flight to Paris in the "Spirit of St. Louis;"

Whereas he made a major contribution in the field of aviation and in the evolution of international air transportation;

Whereas it is appropriate that a lifetime of service to the United States of America by Charles A. Lindbergh be commemorated: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the National Air and Space Museum located between Fourth and Seventh Avenue on Independence Avenue, Washington, District of Columbia, is hereby designated, and shall be known, as the Charles A. Lindbergh National Air and Space Museum.

THE LINDBERGH JOURNEY

Although he was called "the Lone Eagle," Charles Lindbergh never ceased to be fully engaged in the great issues of the century he grew up with.

At a time when people looked for mighty individual feats and heroes to worship, his pioneering nonstop solo flight from New York to Paris across the full expanse of the Atlantic Ocean provided the era with its most celebrated example.

The fame and excessive public idolatry that followed brought tragedy into his life, and pushed him toward controversial views such as his early opposition to America "intervening" in World War II. But once America had entered the fighting he made extensive contributions to strengthening the nation's air power, "to carry on this war as intelligently, as constructively, and as successfully as we can."

It was this devotion to excellence, to meeting the great challenges, and to the need for control by "a higher moral force" that dominates any overall view of the life of Charles Lindbergh.

It led him to close collaboration with some of America's outstanding scientists, including rocket pioneer Robert Goddard, whose work he supported and contributed to. At the same time, he was coming to realize, as he wrote in 1948, that "to progress, even to survive, we must learn to apply the truths of God to the actions and relationships of men, to the direction of our science."

This spiritual concern led him finally to a strong active role in the conservation movement, where he helped to bring about protective measures for endangered whale species and primitive tribes in the Philippines. It led him ten years ago to say: "I realized that if I had to choose, I would rather have birds than airplanes."

While the world was still remembering most that fabulous flight of a little single-engined airplane across the ocean, it was an inward journey of the spirit that was clearly engaging the fullest endeavors of Charles Lindbergh.

LINDBERGH DIES OF CANCER IN HAWAII AT AGE OF 72

KIPAHULU, MAUI, HAWAII, August 26.—Charles A. Lindbergh, the first man to fly the Atlantic solo nonstop, died this morning at his simple seaside home here. He was 72 years old.

The cause of death was cancer of the lymphatic system, according to Dr. Milton Howell, a longtime friend. With him when he died at 7:15 A.M. local time were his wife, Anne Morrow Lindbergh, the writer, and Land, one of his three sons.

Mr. Lindbergh was buried about three hours later in the cemetery adjoining the tiny Kipahulu church. He was dressed in simple work clothing and his body was placed in a coffin built by cowboys employed on cattle ranches in the nearby town of Hana. Dr. Howell said that the aviator had spent the last weeks of his life planning his funeral.

In tribute to Mr. Lindbergh, President Ford said last evening:

"Nearly a half century has passed since his courageous flight across the Atlantic, but the courage and daring of his feat will never be forgotten. For years to come, we will also remember the selfless, sincere man himself, Charles A. Lindbergh, one of America's all-time heroes and a great pioneer of the air age that changed the world."

Mr. Lindbergh arrived here eight days ago after a 26-day stay in Columbia-Presbyterian Medical Center in New York for treatment of his illness. He was flown to Honolulu on a United Airlines flight on Aug. 17 and then was brought to this island by small plane. The trip had been kept secret at his request.

"When he knew that he would not recover, Mr. Lindbergh requested that he be taken here from Columbia so he could die," Dr. Howell said. "He had made his vacation home here for many years and he wanted to die here."

Mr. Lindbergh, whose New York-to-Paris flight in 1927 in the monoplane Spirit of St. Louis brought him lasting celebrity, built an A-frame cottage here in 1971. It looked out on the Pacific, and it was the place where he had hoped to retire after years of restless global wanderings as a consultant for Pan-American World Airways. He had hoped to write a long-postponed book outlining his philosophical and conservationist views.

Mr. Lindbergh slipped into a coma late last night, Dr. Howell said, but until then he had been fully alert and aware of his surroundings. The aviator made no final statement, according to the physician, who said Mr. Lindbergh's final theme was that he would like for his actions in coming to Maui and having a simple funeral to be—in itself—a constructive * * *.

Mr. Lindbergh's whole life centered on aviation, but in recent years he developed an active concern with conservation. This interest brought him into the news after a quarter-century of self-imposed obscurity. One of his last public appearances occurred last summer in Little Falls, Minn., where he was born, to dedicate a public park in honor of his father, C. A. Lindbergh Sr., a former United States Representative.

Before Mr. Lindbergh left New York, he talked with his two other sons, Scott of Paris and Jon of Seattle. He also saw his daughters, Anne and Reeve. Anne, who also lives in Paris, was visiting her parents at their home in Darien, Conn.

Mr. Lindbergh was ill last fall, suffering from what was then diagnosed as shingles. He lost about 20 pounds, but by last spring he had managed to regain about 10 of them. Just before he entered the hospital he came

down with what was officially described as influenza.

But when his temperature rose to 104 degrees, his physicians admitted him to Columbia-Presbyterian. About three weeks ago his wife said that he had perceptibly improved and that she expected him to be discharged shortly. He took a turn for the worse, however, and his condition was diagnosed as lymphatic cancer.

In addition to his widow and five children, Mr. Lindbergh is survived by 10 grandchildren.

PARISIANS STOP, RECALL "LE JUENE AMERICAIN"

PARIS, August 26.—Jean Ordonnier still remembers listening as a boy of nine years to the crowds who sang the May evening away on the night that Charles A. Lindbergh landed at Le Bourget Airport, just north of Paris.

Le jeune Americain, il la fait, nom d'un chien...

"My God, he did it! They sang it all night. They sang in the streets, and in cafes. It seemed so impossible," Mr. Ordonnier said, leaning wistfully across the newsstand he now operates.

René Maury, a lawyer, stopped before catching the Metro home, and saw the headlines of the papers that morning once again. "I was 13 at the time. They were the largest headlines I had ever seen. I did not know what had happened. I remember the pictures of crowds trying to tear the cloth off Lindbergh's airplane. There wasn't a front page that wasn't covered with him."

All across Paris last night the French, whose Louis Bleriot was an early and heroic pioneer of aviation, whose Antoine de Saint-Exupery wrote gripping novels about flying, a people whose history is entwined with aviation stopped to remember the young Mr. Lindbergh's moment of glory, one they had shared.

Francois Davy, a taxi driver, also sang from the terrace of his apartment in the north of Paris that night. He was 19 at the time. A 32-year-old doorman at a hotel was not alive when Mr. Lindberg landed, but was struck, nonetheless. "He was in all our history texts. He was a very important figure.

"He was a champion, but his politics I disagree with," the doorman said. "His flight was grand, but his enchantment with Germany before the war was horrible."

Maurive Fauvet, a doctor, turned away from *his coffee* and talked of the headlines and the singing he, too, remembers.

"Lindbergh was the first. He did it. Today my children have grown up traveling by air. My son is in New York. He flies frequently, and is accustomed to it. But you cannot imagine how big an event it seemed—that Lindbergh had done it alone."

By Mr. McGOVERN:

S.J. Res. 243. A joint resolution to provide direction to the U.S. delegation to the World Food Conference. Referred to the Committee on Foreign Relations.

PRESIDENT FORD'S INITIATIVES AND THE WORLD FOOD CONFERENCE

Mr. McGOVERN. Mr. President, President Ford capitalized yesterday on the opportunity of his first address to the United Nations to demonstrate to the rest of the world that America is still a nation of compassion and generosity—a nation that, in time of need itself, can still recognize the even greater needs of others.

I wish to state my sincere appreciation to the President for the forthrightness with which he stated the willingness of this Nation, in cooperation with others, to provide increased assistance to less-developed nations in the ongoing struggle against hunger.

The President's specific recommendations—increased U.S. food assistance, greater technological assistance, and establishment of a system of food reserves—follow the lines of proposals advanced by some of us in the Congress in recent months.

I believe that I can assure the President that, to the extent that these recommendations are backed up by action, he will find even greater support here in the Congress.

As a first step to indicate to the President and to the world the unanimity between the legislative branch and the executive on this critical issue, I introduce today a resolution on the World Food Conference and the policy of the United States with respect thereto.

It is my hope that the resolution will offer a means by which the Congress can assist in building on the start which the President made on yesterday, in the development of a U.S. policy for the upcoming World Food Conference which will be worthy of our posture in the world.

We should recall that the conference itself, which will bring representatives of more than 100 nations to Rome from November 5 through 15, was convened as a result of U.S. initiatives. I am looking forward to attending this conference as a U.S. Senate delegate.

The conference will face an awesome responsibility. It is unlikely that there will be another major summit on food problems in the near future, especially if this one does not produce constructive action. It should be clear, then, that future generations will not judge us kindly if we forego this opportunity to address food security issues now—before we are backed into an insoluble global food crisis.

The United States is the largest single supplier of staple food to the world. It is not only appropriate, but essential, that we stand behind the commitments made first by Secretary Kissinger in his first address to the United Nations, and reaffirmed yesterday by President Ford.

For the challenge we face is not a comforting one. World grain production must increase 4 percent—25 million tons—each year merely to keep pace with demand. While technological breakthroughs have been able to keep food supply and demand roughly in balance over recent years, this most delicate balance is threatened on several fronts.

The Secretariat of the World Food Conference estimates that, unless food production capability can be accelerated from current trends, the developing world will encounter annual food deficits of over 85 million tons. Such deficits would not only destroy any further hope of improvement of the nutritional standards in developing countries, but would mean death by starvation on a regular basis on a scale we have never encountered. The facts of increased food requirements are not to be taken lightly.

Attempts to curb population expansion have been unsuccessful to date. The world population growth rate has nearly doubled from about 1 percent per year in the 1940's to 1.9 percent in recent years. One must consider that it took almost 2,000 years for the world's population to double before 1650, but that the world's numbers are now doubling every 34 years.

Not only are there more people to stake a claim on the world's resources, but per capita consumption of resources has increased steadily. As the level of affluence rises, individuals demand an increasing share of the planet's wealth. Of the 25-million-ton annual increase in grain production which is necessary to meet increased demand every year, about one-fourth of this increase is wiped out by increased per capita consumption.

Availability of basic agricultural inputs—land, water, energy, and plant nutrients—has become an important constraint on agricultural production. Many agricultural economists feel that most of the good farmland in the world is now in production. No longer are there vast acreages of fertile land waiting to be put into production; land that is available cannot, in general, be expected to yield at the levels we have achieved on our most productive land.

FAO estimates that global demand for water will increase 240 percent by the end of the century. Dr. Lester Brown, of the Overseas Development Council, estimates that most of the "easy" irrigation projects have been undertaken between the end of World War II and today. Dr. Brown states:

> From now on, they are going to be much more difficult and much more costly and much more marginal. . . . We need to recognize that the possibilities for maintaining anything like the pace of expansion of irrigated areas we have recently seen simply does not exist.

Energy has become an inseparable component of modern agriculture. From field preparation through retail food distribution, energy is an essential input in our system of food production.

The disruptions caused by the petroleum shortages last year continue to be felt throughout our entire food economy. It is beyond doubt that growth in energy consumption just cannot be supported indefinitely by current supplies and technology. New sources of energy will be tapped at considerably higher cost.

Clearly, the threats to our food supply system cannot be ignored. We may spend hours in this body debating troop levels and funding for sophisticated military hardware. But no aspect of national security is as crucial as assuring our citizens of adequate food supplies.

Food security will come only if we start from a rational and measured review of the problem—however discomforting. But upon this base we must take the next step—one that most certainly will demand sacrifice—measures to meet present and future threats to world food security.

The first meeting of the preparatory committee for the conference, in New York City in February, was devoid of leadership. When the preparatory committee met again in June, a necessary sense of direction remained undefined. And the signs of polarization at the

preparatory meetings, much like the ideological differences which hampered action at the World Population Conference last month, do not cause optimism about the November conference. Without concrete proposals, it is almost certain to founder on directionless, ideological rhetoric.

Therefore, it is essential that the United States go to Rome with a strong and complete position with which we can offer our leadership.

I am fully aware of the political and economic realities which have constrained the development of a U.S. position. But I cannot accept them as causes for inaction. I do agree that our precarious supply situation with respect to grains is legitimate cause for hesitation. Certainly we must be prudent in making any commitments requiring increased Federal expenditures; we should review most carefully what we might do and its impact on domestic interests.

But we cannot cripple the chance of long-term progress for short-term considerations. Indeed, the short-term strains we face today should only underline the need for immediate attention to provide for the longer term food needs we are certain to face.

Ambassador Edwin Martin has done an outstanding job as coordinator of the U.S. participation in the World Food Conference, but he alone cannot orchestrate the cooperation of other agencies of Government necessary to establish a U.S. position. We must join together in giving our delegation the tools with which the United States can provide the leadership in this endeavor.

A few weeks ago I spoke of "Plowshares for Peace," a proposal to take our Government beyond the notable contributions which our food-for-peace program has made to world food security, to direct our resources to increasing food production in the developing world.

I sought increased basic research in agriculture and food production, new investment in fertilizer production and other critical farm inputs, increased technological assistance in harvesting, storing, processing, and distributing food supplies in the developing world, and the establishment of a minimum level of food reserves to meet emergency and disaster relief requirements.

The President's address to the United Nations was in that vein. Therefore, Mr. President, I offer these concepts today in a legislative proposal which I hope will offer at least a beginning.

First, I propose increasing our commitments of food assistance in a proportion to similar commitments of other developed nations, and the establishment of a famine relief reserve for emergencies throughout the world.

This does not imply that we would go immediately on tight world markets and begin massive purchases, thus exacerbating the present situation. It means rather that we make a commitment now to increase food aid over the coming years as our own supply situation permits.

For certain commodities—rice, for instance, and to some extent wheat—the world supply situation would permit us to begin making modest purchases now.

I have suggested that each nation tailor its assistance to its own particular resources. During the recent negotiations to extend the Food Aid Convention, Britain and other food-deficit signatories to the convention complained that it was unfair that food-producing countries contributed in real resources while they were required to contribute in cash.

Certainly, the pressing food needs of the developing world require more than food donations. Fertilizer and other agricultural inputs are needed in many developing countries in order that they may reach their potential for producing their own food. Expanding the concept of multilateral food assistance to permit nations to contribute assistance in the form of food, capital, fertilizer, technological expertise, transportation facilities, and other real resources with which the donating country is best equipped would provide a more efficient and equitable means of foreign assistance.

I have suggested also that food aid procurement policies be modified to reduce program costs and minimize the impact on domestic prices and supplies. By making procurements early in a marketing year, the market can better predict demand and make adjustments for a more predictable supply situation.

Food programs in the developing world have been hampered by the lack of a longer term perspective. If our goal is truly to make the need for foreign aid obsolescent, we must encourage longer term planning which, among other things, permits countries to coordinate food assistance into their own development goals. My measures call for food assistance commitments under our donation (Public Law 480, title II) program to be made on a 5-year basis and to afford priority in times of short supply to ongoing food programs in the developing world within our food for peace program.

A major gap in agricultural development research lies in the storage and distribution techniques in tropical climates and the marketing structures for foodstuffs in the developing world. Farmers in such countries cannot be expected to increase their production unless means are found to assure them the incentives which spring from stable markets for the risks of increased production.

Finally, we must establish a mechanism to carry the work of the conference beyond the ending session. Proposals for constructive action can succeed only to the extent that machinery is provided to implement them.

In this regard, my resolution calls for our support of the "World Food Authority" proposed by the Secretariat of the World Food Conference. Such a body would, through existing organizational machinery, coordinate implementation of constructive action which might come from the conference.

Mr. President, the United States must not go to the World Food Conference without the tools to provide substantive leadership. And if the United States does not provide such leadership, no one else will.

If we are not able to make the conference a useful enterprise, the developing countries of the world, which at considerable expense will send their delegations to participate in the World Food Conference, are going to view future cries for cooperative action on food security by the developed world as hollow indeed.

What will be the product of the World Food Conference? Will the millions of dollars and manhours of the world's top agricultural leaders be justified by its outcome?

We need more than files of forgotten conference reports. It is with a sense of our responsibility to assure some measure of food security to future generations that I offer today these modest proposals for a real and meaningful U.S. position for the World Food Conference.

And it is with a new sense of optimism that I greet the President's initiatives. Mr. President, I ask unanimous consent that the text of the President's address to the United Nations and the text of my resolution be printed at this point in the RECORD.

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

S.J. RES. 243

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the United States shall, in fulfillment of the commitments made by the President to the United Nations, participate fully in the World Food Conference of the United Nations Food and Agriculture Organization, to be held November fifth through fifteenth in Rome, and the United States, as primary initiator of the Conference, shall insofar as possible exercise leadership in this Conference appropriate to our role as a major supplier of food to the world.

EMERGENCY FOOD RELIEF

SEC. 2. In accordance with the above objective, there is hereby authorized, insofar as other major developed countries of the world set forth similar commitments, the establishment of a contingency supply of basic food commodities to be released on a grant basis only for emergency food relief to regions of the world suffering from natural and man-made disasters and to encourage other countries to commit facilities such as transportation, or other contributions commensurate with each country's respective resources, within an internationally coordinated emergency food relief program.

INCREASED FOOD AND FERTILIZER ASSISTANCE

SEC. 3. The President shall under existing authority, increase annual United States food assistance under the donation section of our food assistance programs to that level equal to one-third of the total of increased food or fertilizer assistance commitments made by the rest of the world over and above the present levels of assistance, and not exceeding in value $500 million. Countries with surplus fertilizer resources would be able to receive in kind credit for contributions of fertilizer committed through a multilateral assistance program.

FOOD AID PROCUREMENT POLICIES

SEC. 4. With respect to sections (2) and (3), the President shall make all necessary procurements in an orderly manner so as to minimize impact on domestic commodity prices as possible. In subsequent annual procurements of food commodities for emergency food assistance reserves and other food assistance programs the President shall seek, insofar as possible, to make procurements early in the crop year for any particular commodity to reduce impact on domestic prices and to minimize program costs.

SUPPLY CONTINUITY AND MEDIUM TERM PLANNING

SEC. 5. To provide a reasonable level of supply assurance for established food programs in the developing world, the President shall seek, insofar as feasible, to make regular food assistance grant commitments on a multiyear basis. These commitments should be made in conjunction with a multiyear utilization program formulated by the recipient country or organization within such country in consultation with the United States Government. In times of short domestic supply of commodities shipped under our food aid programs, priority in the allocation of supplies available for food assistance should be afforded those established programs for which a regular and stable supply of food commodities is essential for the continuance of their program.

AVAILABILITY OF FERTILIZER AND FARM INPUTS

SEC. 6. The President should call on the other nations of the world to review the availability of farm inputs such as fertilizer which represent possible constraints to increased food production and to provide appropriate incentives such as investment incentives or credit facilities to encourage the availability of such inputs.

FOOD TECHNOLOGY AND BASIC AGRICULTURAL RESEARCH

SEC. 7. The President is authorized and directed to establish projects of research by extension branches of land grant colleges in cooperation with American farmers' cooperatives and American industry toward the purpose of adapting relevant areas of American food and technology to the needs of the developing world. Such a research effort should include (1) the distribution and most efficient utilization of our food assistance resources within agricultural development goals and with particular emphasis on ways to improve harvesting, processing, storage, and distribution techniques for food commodities in tropical climates and (2) the market structure in developing countries and ways the market structure must be improved to encourage domestic food production. Furthermore, the United States calls for greater cooperation in the area of basic agricultural research including more efficient utilization of energy and other agricultural inputs, in conjunction with intensification of its own efforts in regard to weather prediction, control, and modification.

WORLD FOOD AUTHORITY

SEC. 8. The United States hereby supports, in concept, the creation of a "World Food Authority" as proposed by the Secretary-General of the World Food Conference to coordinate the execution of measures for action emanating from the World Food Conference while utilizing existing institutional machinery insofar as possible to effect their implementation.

SEC. 9. The President shall report to the Congress within sixty days following the conclusion of the Conference on the achievements of that meeting and the disposition of the foregoing provisions of this Resolution.

TEXT OF PRESIDENT FORD'S ADDRESS AT U.N. ASSEMBLY

(Following is the text of President Ford's address yesterday at the United Nations General Assembly:

In 1946, President Harry Truman welcomed representatives of 55 nations to the first General Assembly of the United Nations. Since then, every American President has had the great honor of addressing this assembly. Today, with pleasure and humility, I take my turn in welcoming you, the distinguished representatives of 138 nations.

When I took office, I told the American people that my remarks would be "just a little straight talk among friends." Straight talk is what I propose here today in my first address to the representatives of the world.

Next week Secretary of State Henry A. Kissinger will present in specifics the overall principles which I will outline in my remarks. It should be emphatically understood that the Secretary of State has my full support and the unquestioned backing of the American people.

As a party leader in Congress and vice president and now as President of the United States of America, I have had the closest working relationship with Secretary of State Kissinger. I have supported and will continue to endorse his many efforts as Secretary of State and head of our National Security Council system to build a world of peace.

Since the U.N. was founded, the world has experienced conflicts and threats to peace. But we have avoided the greatest danger: another world war. Today, we have the opportunity to make the remainder of this century an era of peace and cooperation and economic well-being.

The harsh hostilities which once held great powers in their rigid grasp have now begun to moderate. Many of the crises which dominated past General Assemblies are fortunately behind us. And technological progress holds out the hope that one day all men can achieve a decent life.

Nations too often have had no choice but to be either hammer or anvil: to strike or to be struck. Now we have a new opportunity—to forge, in concert with others, a framework of international cooperation. That is the course the United States has chosen for itself.

On behalf of the American people. I renew these basic pledges to you today:

We are committed to a pursuit of a more peaceful, stable and cooperative world. While we are determined never to be bested in a test of strength, we will devote our strength to what is best. And in the nuclear era, there is no rational alternative to accords of mutual restraint between the United States and the Soviet Union, two nations which have the power to destroy mankind.

We will bolster partnerships with traditional friends and allies in Europe, Asia and Latin America, to meet new challenges in a rapidly changing world. The maintenance of such relationships underpins rather than undercuts the search for peace.

We will seek out and expand relations with old adversaries. For example, our new rapport with the People's Republic of China best serves the purposes of each nation and the interests of the entire world.

We will strive to heal old wounds reopened in recent conflicts in Cyprus, the Middle East and in Indochina. Peace cannot be imposed from without, but we will do whatever is within our capacity to help achieve it.

We rededicate ourselves to the search for justice, equality and freedom. Recent developments in Africa signal the welcome end of colonialism. Behavior appropriate to an era of dependence must give way to the new responsibilities of an era of interdependence.

No single nation, no single group of nations, no single organization can meet all of the challenges before the community of nations. We must act in concert. Progress toward a better world must come through cooperative efforts across the whole range of bilateral and multilateral relations.

America's revolutionary birth and centuries of experience in adjusting democratic government to changing conditions have made Americans practical as well as idealistic. As idealists, we are proud of our role in the founding of the United Nations and in supporting its many accomplishments. As practical people, we are sometimes impatient at what we see as shortcomings.

In my 25 years as a member of the Congress of the United States, I learned two basic practical lessons:

First, men of differing political persuasions can find common grounds for cooperation. We need not agree on all issues in order to agree on most. Differences of principle, of purpose, of perspective will not disappear. But neither will our mutual problems disappear unless we are determined to find mutually helpful solutions.

Second, a majority must take into account the proper interest of a minority if the decisions of the majority are to be accepted. We who believe in and live by majority rule must always be alert to the danger of "tyranny of the majority." Majority rule thrives on the habits of accommodation, moderation and consideration of the interests of others.

A very stark reality has tempered America's actions for decades—and must now temper the actions of all nations. Prevention of full-scale warfare in the nuclear age has become everybody's responsibility. Today's regional conflict must not become tomorrow's world disaster. We must assure by every means at our disposal that local crises are quickly contained and resolved.

The challenge before the United Nations is clear. This organization can place the weight of the world community on the side of world peace. And this organization can provide impartial forces to maintain the peace.

And at this point I wish to pay tribute on behalf of the American people to the 37 members of the U.N. peacekeeping forces who have given their lives in the Middle East and in Cyprus in the past few months and I convey our deepest sympathy to their loved ones.

Let the quality of our response measure up to the magnitude of the challenge. I pledge to you that America will continue to be constructive, innovative and responsive to the work of this great body.

The nations in this hall are united by a deep concern for peace. We are united as well by our desire to ensure a better life for all people.

Today, the economy of the world is under unprecedented stress. We need new approaches to international cooperation to respond effectively to the problems that we face. Developing and developed countries, market and nonmarket economies—we are all part of one interdependent economic system.

The food and oil crises demonstrate the extent of our interdependence. Many developing nations need the food surplus of a few developed nations. And many industrialized nations need the oil production of a few developing nations.

Energy is required to produce food and food to produce energy—and both to provide a decent life for everyone. The problems of food and energy can be resolved on the basis of cooperation—or can, I should say, be made unmanageable on the basis of confrontation. Runaway inflation, propelled by food and oil price increases, is an early warning signal.

Let us not delude ourselves. Failure to cooperate on oil, food, and inflation could spell disaster for every nation represented in this room. The United Nations must not and need not allow this to occur. A global strategy for food and energy is urgently required.

The United States believes four principles should guide a global approach:

First, all nations must substantially increase production. Just to maintain the present standards of living the world must almost double its output of food and energy to match the expected increase in the world's population by the end of this century. To meet aspirations for a better life, production will have to expand at a significantly faster rate than population growth.

Second, all nations must seek to achieve a level of prices which not only provides an incentive to producers but which consumers

can afford. It should now be clear that the developed nations are not the only countries which demand and receive an adequate return for their goods. But it should also be clear that by confronting consumers with production restrictions, artificial pricing, and the prospect of ultimate bankruptcy, producers will eventually become the victims of their own actions.

Third, all nations must avoid the abuse of man's fundamental needs for the sake of narrow or national bloc advantage. The attempt by any country to use one commodity for political purposes will inevitably tempt other countries to use their commodities for their own purposes.

Fourth, the nations of the world must assure that the poorest among us are not overwhelmed by rising prices of the imports necessary for their survival. The traditional aid donors and the increasingly wealthy oil producers must join in this effort.

The United States recognizes the special responsibility we bear as the world's largest producer of food. That is why Secretary Kissinger proposed from the podium last year a World Food Conference to define a global food policy. And that is one reason why we have removed domestic restrictions on food production in the United States. It has not been our policy to use food as a political weapon despite the oil embargo and recent oil price and production decisions.

It would be tempting for the United States—beset by inflation and soaring energy prices—to turn a deaf ear to external appeals for food assistance, or to respond with internal appeals for export controls. But however difficult our own economic situation, we recognize that the plight of others is worse.

Americans have always responded to human emergencies in the past and we respond again here today.

In response to Secretary General Waldheim's appeal and to help meet the long-term challenge in food, I reiterate:

To help developing nations realize their aspiration to grow more of their own food, the United States will substantially increase its assistance to agricultural production programs in other * * *

Next, to ensure that the survival of millions of our fellow men does not depend upon the vagaries of weather, the United States is prepared to join in a worldwide effort to negotiate, establish, and maintain an international system of food reserves. This system will work best if each nation is made responsible for managing the reserves that it will have available.

Finally, to make certain that the more immediate needs for food are met this year, the United States will not only maintain the amount it spends for food shipments to nations in need, but it will increase this amount.

Thus, the United States is striving to help define and contribute to a cooperative global policy to meet man's immediate and long-term need for food. We will set forth our comprehensive proposals at the World Food Conference in November.

Now is the time for the oil producers to define their conception of a global policy on energy to meet the growing need—and to do this without imposing unacceptable burdens on the international monetary and trade system.

A world of economic confrontation cannot be a world of political cooperation. If we fail to satisfy man's fundamental needs for energy and food, we face a threat not just to our aspirations for a better life for all our peoples, but to our hopes for a more stable and a more peaceful world. By working together to overcome our common problems, mankind can turn from fear towards hope.

From the time of the founding of the United Nations, America volunteered to help nations in need, frequently as the main benefactor. We were able to do it. We were glad to do it. But as new economic forces alter and reshape today's complex world, no nation can be expected to feed all the world's hungry peoples. Fortunately, however, many nations are increasingly able to help and I call on them to join with us as truly United Nations in the struggle to provide more food at lower prices for hungry and, in general, a better life for the needy of this world.

America will continue to do more than its share. But there are realistic limits to our capacities. There is no limit, however, to our determination to act in concert with other nations to fulfill the vision of the United Nations Charter: "to save succeeding generations from the scourge of war" and "to promote social progress and better standards, better standards of life in a larger freedom."

ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTIONS

S. 2854

At the request of Mr. CRANSTON, the Senator from Idaho (Mr. CHURCH) was added as a cosponsor of S. 2854, a bill to amend the Public Health Service Act to expand the authority of the National Institute of Arthritis, Metabolic, and Digestive Diseases in order to advance a national attack on arthritis.

S. 3860

At the request of Mr. KENNEDY, the Senator from Maryland (Mr. BEALL), the Senator from Delaware (Mr. BIDEN), the Senator from Missouri (Mr. EAGLETON), and the Senator from New York (Mr. JAVITS) were added as cosponsors of S. 3860, a bill to study and control the disclosure of voter registration lists for non-election purposes.

S. 3903

At the request of Mr. BROCK, the Senator from Utah (Mr. BENNETT) and the Senator from Oklahoma (Mr. BELLMON) were added as cosponsors of S. 3903, a bill to extend the State and Local Fiscal Assistance Act of 1972 for 7 years.

S. 3934

At the request of Mr. MONTOYA, the Senator from Wyoming (Mr. MCGEE) was added as a cosponsor of S. 3934, a bill to amend the Internal Revenue Code of 1954 to prohibit disclosure of tax returns without consent of the taxpayer, and for other purposes.

S. 3968

At the request of Mr. MCGOVERN, the Senator from South Dakota (Mr. ABOUREZK) was added as a cosponsor of S. 3968, the Pine Ridge Indian Reservation Economic Development Demonstration Act.

SENATE RESOLUTION 406—ORIGINAL RESOLUTION REPORTED AUTHORIZING SUPPLEMENTAL EXPENDITURES BY THE COMMITTEE ON THE BUDGET

(Referred to the Committee on Rules and Administration.)

Mr. MUSKIE, from the Committee on the Budget, submitted the following resolution:

S. RES. 406

Resolved, That, in holding hearings, reporting such hearings, and making investigations as authorized by sections 134 (a) and 136 of the Legislative Reorganization Act of 1946, as amended, in accordance with its jurisdiction under rule XXV of the Standing Rules of the Senate, the Committee on the Budget, or any subcommittee thereof, is authorized from the date this resolution is agreed to, through February 28, 1975, in its discretion (1) to make expenditures from the contingent fund of the Senate, (2) to employ personnel, and (3) with the prior consent of the Government department or agency concerned and the Committee on Rules and Administration, to use on a reimbursable basis the services of personnel of any such department or agency.

SEC. 2. The expenses of the committee under this resolution shall not exceed $421,000, of which amount not to exceed $5,000 may be expended for the procurement of the services of individual consultants, or organizations thereof (as authorized by section 202 (i) of the Legislative Reorganization Act of 1946, as amended).

SEC. 3. The committee shall report its findings, together with such recommendations for legislation as it deems advisable, to the Senate at the earliest practicable date, but not later than February 28, 1975.

SEC. 4. Expenses of the committee under this resolution shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

SENATE RESOLUTION 407—SUBMISSION OF A RESOLUTION TO REFER A BILL TO THE COURT OF CLAIMS

(Referred to the Committee on the Judiciary.)

Mr. DOMINICK submitted the following resolution:

S. RES. 407

Resolved, That the bill (S. 4025) entitled "A bill for the relief of Laszlo Sebo", now pending in the Senate, together with all the accompanying papers, is hereby referred to the chief commissioner of the United States Court of Claims; and the chief commissioner shall proceed with the same in accordance with the provisions of sections 1492 and 2509 of title 28, United States Code, and report thereon to the Senate, at the earliest practicable date, giving such findings of fact and conclusions thereon as shall be sufficient to inform the Congress of the nature and character of the demand as a claim, legal or equitable, against the United States or a gratuity and the amount, if any, legally or equitably due from the United States to the claimant.

ADDITIONAL COSPONSORS OF CONCURRENT RESOLUTIONS

SENATE CONCURRENT RESOLUTION 110

At the request of Mr. KENNEDY, the Senator from Colorado (Mr. HASKELL) was added as a cosponsor of Senate Concurrent Resolution 110, a concurrent resolution relating to the situation in Cyprus.

SENATE CONCURRENT RESOLUTION 113

At the request of Mr. PERCY, the Senator from Ohio (Mr. TAFT) and the Senator from Tennessee (Mr. BROCK) were added as cosponsors of Senate Concurrent Resolution 113, relating to world food shortages and rapid population growth.

CONSUMER PROTECTION—AGENCY FOR CONSUMER ADVOCACY AMENDMENTS

AMENDMENT NO. 1899

(Ordered to be printed and to lie on the table.)

Mr. ERVIN submitted an amendment intended to be proposed by him to Amendment No. 1817 proposed to the bill (S. 707) to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants, in order to protect and serve the interests intended to be proposed by him to

AMENDMENTS NOS. 1900 AND 1901

(Ordered to be printed and to lie on the table.)

Mr. STEVENS submitted two amendments intended to be proposed by him to Amendment No. 1817, proposed to the bill (S. 707), supra.

AMENDMENTS NOS. 1902 THROUGH 1909

(Ordered to be printed and to lie on the table.)

Mr. HELMS submitted eight amendments intended to be proposed by him to the bill (S. 707), supra.

AMENDMENT NO. 1910

(Ordered to be printed and to lie on the table.)

Mr. AIKEN submitted an amendment intended to be proposed by him to Amendment No. 1817, proposed to the bill (S. 707), supra.

AMENDMENT NO. 1911

(Ordered to be printed and to lie on the table.)

Mr. KENNEDY submitted an amendment intended to be proposed by him to the bill (S. 707), supra.

AMENDMENT NO. 1912

(Ordered to be printed and to lie on the table.)

Mr. TAFT submitted an amendment of consumers, and for other purposes. Amendment No. 1817, proposed to the bill (S. 707), supra.

AMENDMENT NO. 1913

(Ordered to be printed and to lie on the table.)

Mr. MOSS submitted an amendment intended to be proposed by him to Amendment No. 1817, proposed to the bill (S. 707), supra.

AMENDMENT NO. 1918

(Ordered to be printed and to lie on the table.)

Mr. DOLE submitted an amendment intended to be proposed by him to amendment No. 1817 proposed to the bill (S. 707), supra.

FEDERAL PRIVACY BOARD ACT—AMENDMENT

AMENDMENT NO. 1914

(Ordered to be printed and referred to the Committee on Government Operations.)

HALTING USE OF THE SOCIAL SECURITY NUMBER AS A UNIVERSAL POPULATION IDENTIFIER

Mr. GOLDWATER. Mr. President, I am introducing today for myself and the senior Senator from Illinois (Mr. PERCY) an amendment to halt the spread of the social security number as a universal population identifier. I am delighted that the Senator from Illinois, who is the ranking Republican member of the Senate Committee on Government Operations, is joining with me today as a coauthor of this amendment to S. 3418, a privacy bill which was ordered favorably reported by that committee on August 20.

Mr. President, the amendment which we are offering today is similar to S. 2537, a bill which I introduced last year to provide that no individual may be compelled to disclose his social security number for any purpose not specifically required by law. An identical bill, H.R. 9968, had been introduced in the House of Representatives last year by my son, Congressman BARRY GOLDWATER, Jr., of California.

Mr. President, when parents cannot open bank accounts for their children without obtaining social security numbers for them; when all schoolchildren in certain ninth grade classes are compelled to apply for social security numbers; when a World War I veteran is asked to furnish his social security number in order to enter a Veterans' Administration hospital; and when the account number is used and required for numerous other purposes totally unrelated with the social security program; then it is time for society to stop this drift toward reducing each person to a number.

There already have been issued a total of over 160 million social security numbers to living Americans. There is no statute or regulation which prohibits or limits use of the account number.

To the contrary, a directive President Roosevelt issued 32 years ago, is still in effect requiring that any Federal agency which establishes a new system of personal identification must use the social security number.

Numerous Americans deplore this development. They resent being constantly asked or required to disclose their social security number in order to obtain benefits to which they are legally entitled. They sense that they are losing their identity as a unique human being and are reduced to a digit in some bureaucratic file.

Scholars who have studied the situation have fears which run far deeper. These specialists consider use of the social security number as a population number will make us all become marked individuals.

What is meant is that once the social security number is set as a universal identifier, each person would leave a trail of personal data behind him for all of his life which could be immediately reassembled to confront him. Once we can be identified to the administrator in government or in business by an exclusive number, we can be pinpointed wherever we are, we can be more easily manipulated, we can be more easily conditioned, and we can be more easily coerced.

Mr. President, the use of the social security number as a method of national population numbering is inseparable from the rapid advances in the capabilities of computerized personal data equipment. The state of the art in computer data storage is now so advanced that the National Academy of Sciences actually reported in 1972 that—

> It is technologically possible today, especially with recent advances in mass storage memories, to build a computerized, on-line file containing the compacted equivalent of 20 pages of typed information about the personal history and selected activities of every man, woman, and child in the United States, arranging the system so that any single record could be retrieved in about 30 seconds.

Where will it end? Will we allow every individual in the United States to be assigned a unique identification number for use in all his governmental and business activities? Will we permit computerized personal data systems to interlink nationwide so that all the details of our personal lives can be assembled instantly for use by a single person or institution?

The time to think about the future is now. We must build into the law safeguards for personal privacy while a national numbering system is still a concept and not an accomplished fact.

Accordingly, I am introducing today with Senator PERCY an amendment to the Federal privacy legislation that will impose a moratorium on the use of social security numbers for purposes unrelated to the original social security program. Our amendment will make it unlawful for any governmental body at the Federal, State, or local level to deny to any person a right, benefit, or privilege because the individual does not want to disclose his social security account number. The amendment also provides that it shall be unlawful for anyone to discriminate against another person in any business or commercial dealings because the person chooses not to disclose his social security number.

Recognizing that what we are proposing will cause a significant change in the identification methods of a great many agencies and institutions, we provide for the phasing in of these prohibitions beginning on January 1, 1975. Any information system started after that date will be subject to the restraints of our amendment and any information system in existence before then is exempted from the amendment.

In addition to the prohibitions on the spread of the social security number in the future, the amendment includes a requirement that all agencies and persons who request of a person the disclosure of his social security number must inform the person whether disclosure is mandatory or voluntary, state the specific authority for compelling disclosure, tell what uses will be made of it, and notify what rules of confidentiality will protect these uses.

Mr. President, medical and sociological evidence proves that the need for privacy is a basic, natural one, essential both to individual physical and mental health of each human being and to the creativity of society as a whole. It is for us to determine today just how much privacy shall remain for the individual in the future, and I hope the Senate will shortly have the opportunity to act favorably upon the amendment which we have offered to protect against a national numbering system.

Mr. President, I ask unanimous consent that a copy of the amendment by myself and Senator PERCY, as coauthors, be printed in the RECORD.

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

AMENDMENT NO. 1914

MORATORIUM ON USE OF SOCIAL SECURITY NUMBERS

SEC. 307. (a) It shall be unlawful for—

(1) any Federal, State, or local government agency to deny any individual any right, benefit, or privilege provided by law because of such individual's refusal to disclose his social security account number, or

(2) any person to discriminate against any individual in the course of any business or commercial transaction or activity because of such individual's refusal to disclose his social security account number.

(b) The provisions of subsection (a) shall not apply with respect to—

(1) any disclosure which is required by Federal law, or

(2) any information system in existence and operating before January 1, 1975.

(c) Any Federal, State, or local government agency which requests an individual to disclose his social security account number, and any person who requests, in the course of any business or commercial transaction or activity, an individual to disclose his social security account number, shall inform that individual whether that disclosure is mandatory or voluntary, by what statutory or other authority such number is solicited, what uses will be made of it, and what rules of confidentiality will govern it.

Mr. PERCY. Mr. President, the issue of the social security number, SSN, as a universal identifier, which increasingly is required to be supplied by an individual in his transactions with both the Government and with private businesses, and which may soon make it possible for anyone to link and gain access to a wide variety of different databanks, is a matter of deep concern to me and to other Members of the Senate and the House. I am pleased to join Senator GOLDWATER, who over an extended period of time has taken a very active, constructive concern in this issue, as cosponsor of an amendment to S. 3418 which addresses this concern and commend Senator GOLDWATER, my distinguished colleague, on his leadership in this important matter to every citizen.

S. 3418 is the privacy legislation that I have cosponsored with Senators ERVIN, MUSKIE, and RIBICOFF. The bill, which was unanimously reported by the Committee on Government Operations on August 20, establishes certain rights of privacy that apply to an individual's personal information. The bill also establishes a study commission, the Federal Privacy Commission, whose primary functions will be to oversee and assist Federal agencies in the implementation of this Act and to conduct a study of a wide variety of privacy issues that, for lack of adequate information and understanding, are not covered in S. 3418.

A very important subject that the Commission will study is the use of the SSN as a universal identifier. This study will respond to concerns of a wide variety of individuals who have expressed their resentment in letters to Members of Congress in recent years about having to furnish their SSN for purposes completely unrelated to social security.

The purpose of the amendment we are proposing is to halt the expansion of the use of the SSN. Its primary importance is to hold the problem to a fixed dimension until the Privacy Commission completes a study and decides upon appropriate legislative recommendations to Congress. It follows the key recommendations of the widely cited Report of the Secretary of HEW's Committee on Automated Personal Data Systems, published in 1973 under the title "Records, Computers, and the Rights of Citizens." On page 126 of the report, the HEW Committee gives specific recommendations on the SSN concerning the right of an individual to refuse to disclose the social security number:

SPECIFIC RECOMMENDATIONS ON THE SOCIAL SECURITY NUMBER: RIGHT OF AN INDIVIDUAL TO REFUSE TO DISCLOSE THE SOCIAL SECURITY NUMBER

Increasing demands are being placed on individuals to furnish an SSN in circumstances when use of the SSN is not required by the Federal Government for Federal program purposes. For example, the SSN is demanded of individuals by State motor vehicle departments, by public utility companies, landlords, credit grantors, schools, colleges, and innumerable other organizations.

Existing Federal law and Social Security regulations are silent on such uses of the SSN. They provide no clear basis for keeping State and local government agencies and private organizations from demanding and using the number. As a practical matter, disclosure of one's SSN has been made a condition for obtaining many benefits and services, and legal challenges to this condition under State law have been almost uniformly unsuccessful.

If the SSN is to be stopped from becoming a "de facto" universal identifier, the individual must have the option not to disclose his number unless required to do so by the Federal government for legitimate Federal program purposes, and there must be legal authority for his refusal. Since existing law offers no such clear authority, we recommend specific, preemptive, Federal legislation providing:

(1) That an individual has the right to refuse to disclose his SSN to any person or organization that does not have specific authority provided by Federal statute to request it;

(2) That an individual has the right to redress if his lawful refusal to disclose his SSN results in the denial of a benefit, or the threat of denial of a benefit; and that, should an individual under threat of loss of benefits supply his SSN under protest to an unauthorized requestor, he shall not be considered to have forfeited his right to redress;

(3) That any oral or written request made to an individual for his SSN must be accompanied by a clear statement indicating whether or not compliance with the request is required by Federal statute, and, if so, citing the specific legal requirement.

In response to these recommendations, our amendment to S. 3418 prohibits Government agencies from conditioning any right, benefit, or privilege provided by law upon an individual's decision not to disclose his SSN. It would also prohibit discrimination against any individual who, in the course of any business or commercial transaction or activity, chooses not to furnish his number. Finally, the amendment requires that whenever a Federal agency or private organization requests an individual to supply his SSN, it must inform him whether disclosure is mandatory or voluntary, by what statutory authority the number is requested, what uses will be made of it, and what rules of confidentiality will govern it.

I would like to point out that our amendment fills a void created when an earlier provision was dropped from S. 3418. It would have prohibited Government and private organizations that currently rely on the SSN from compelling an individual to furnish his number except when specifically required by law. The members of the Government Operations Committee voted to delete this provision after several important objections were identified. These objections centered around the disruption of established procedures and the uncertain but large cost involved in changing recordkeeping procedures nationwide. The earlier provision would have meant redesigning forms and reprograming computers to an unknown extent. It would have had the undesirable effect of requiring the Army to change their identification system for military personnel.

Our amendment overcomes the flaws in the earlier provision. It does not interfere with existing uses of the number. It specifically exempts any disclosure which is required by Federal law and it exempts any use of the SSN by any information system that is in existence and operating prior to January 1, 1975. Thus it will not disrupt established procedures and it will not create unwarranted cost burdens. Instead, it serves the important function of blocking further expansion of the use of the number as a universal identifier until needed policy recommendations can be developed by the Federal Privacy Commission. And finally, it brings needed congressional attention to an issue of long standing.

NATIONAL HEALTH INSURANCE ACT AMENDMENTS

AMENDMENTS NOS. 1915 AND 1916

(Ordered to be printed and referred to the Committee on Finance).

NUTRITION AND HEALTH

Mr. McGOVERN. Mr. President, we all accept the importance of nutrition to health as a fact of life. And we all agree, too, that the prevention of illness rather than its treatment should be our priority. Yet, all too frequently we find that nutritional care is not a covered service in medical care programs or national health insurance programs. This omission works against the public interest.

It seems a certainty that some form of national health insurance will be enacted in the near future. Whatever measure is approved should recognize the importance of nutrition to health. To this end, I am introducing two amendments to S. 3286 which is known as the Kennedy-Mills national health insurance proposal. These amendments are equally appropriate to other national health insurance proposals and I trust that they will be considered as if offered to those bills.

The first amendment would change the provisions of S. 3286 which would prohibit reimbursement for a home visit for nutritional care by a registered dietician

employed by a home health agency. S. 3286 is very specific about the home health visits that are a covered service. It includes nursing services, physical therapy, occupational therapy, speech therapy, and medical social services; but, not nutritional care. My amendment would remedy this deficiency by including nutritional care in the definition of home health services. The amendment would not increase the number of home health visits that are authorized nor change the conditions of eligibility for home health services.

My second amendment would make it clear that registered dietitians could serve as physician extenders. Under the provisions of S. 3286 as introduced the national health insurance program would cover reimbursement for services of physician assistants, nurse practitioners and "other individuals" under the supervision and control of a physician but not necessarily in his office. My amendment would make it clear that the category of "other individuals" includes registered dietitians. They would be specifically named in the legislation.

The physician extender provisions should contribute greatly to improved utilization of health manpower which is in short supply.

The amendments that I introduce today would significantly improve the health care system and the health status of our citizens. Both amendments are supported by the American Dietetic Association.

I ask unanimous consent to include at the conclusion of these remarks the testimony of the American Dietetic Association on national health insurance before the House Ways and Means Committee:

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

STATEMENT OF THE AMERICAN DIETETIC ASSOCIATION ON NATIONAL HEALTH INSURANCE

The American Dietetic Association is the professional association for 25,000 dietitians. Its objective is: "To improve the nutrition of human beings; to advance the science of dietetics and nutrition and to improve education in these and allied areas."

We are most appreciative of this opportunity to express the views of our membership to you today. In November 1971, you graciously listened to our opinions on National Health Insurance. Since that time there have been several additional developments both in the concept of a national health insurance program as well as mounting concern for the nutritional well-being of the population in this country.

Well aware of the value of time and with every desire to comply with your instructions relative to repetition of previous statements regarding national health insurance we will confine our remarks to changes which have taken place since 1971. Any review of the past will be brief and will be presented only for information and emphasis.

Progress has been made in meeting the nutritional needs of some segments of the population. Since 1967 when the National Nutrition Survey was authorized both the government and the public have become increasingly aware of the importance of nutrition to health. The work of the Senate Select Committee on Nutrition and Human Needs, the recommendations of the 1969 White House Conference on Food, Nutrition and Health, the 1971 White House Conference on Aging, the 1970 White House Conference on Children, the expansion of the child feeding programs, and the food stamp program are all evidence of both recognition of nutrition related problems and concern for their solution.

The steps that have been taken to solve the problems are highly commendable but the emphasis has been on curative and rehabilitative measures. We believe that this can become a never ending process if measures are not employed to prevent many of the known conditions that predispose individuals and groups to nutritional problems.

The concept underlying each of the bills under consideration today appears to be the expansion of more comprehensive health benefits to all of the population. Coverage, benefits, administration and financing vary to some degree in each of the proposals. In our remarks today we want to state the position of The American Dietetic Association relative to the benefits, standards for providers of services and reimbursement of providers of services that we consider essential in any national health insurance plan.

We believe that nutrition services under the supervision of qualified nutrition personnel should be a component of all health and health related programs and should be designed to reach the total population with priority to such nutritionally vulnerable groups as infants, children and youth in the growing years, women in the child bearing years and the older age population.[1]

H.R. 1, does not make such provision. For this reason we supported a bill in the previous Congress that would have amended H.R. 1, to authorize reimbursement for the home health visits of dietitians. The full range of nutrition services is available to the Medicare patient as long as he is in the hospital. Upon discharge to a home health agency his eligibility for the services of a dietitian through home health visits is denied under existing law.[2]

A Medicare patient must first be hospitalized to become eligible for home health services but is eligible only for services for the condition related to the hospitalization. Elderly persons who are afflicted with several chronic conditions may be treated for only the illness that required hospitalization. The ten State nutrition survey indicated that the elderly suffered from secondary malnutrition rather than primary. We also know that this same age group is prone to underuse of health care services and overuse of fads and quackery.

According to the Annual Statistical Supplement, 1971, of the Social Security Bulletin, between 1969 and 1971, reimbursement for home health services dropped from $48.5 million to $40.6 million while reimbursements for inpatient hospital care increased from $4.5 billion to $5.2 billion. Under the present conditions of the Hospital Insurance Program of Medicare the utilization of home health services has declined while the cost of inpatient hospital care has risen sharply.

In 1971, forty-five percent of the health bills in this country were paid by those sixty-five and over while this group represented only ten percent of the population. The average daily rate for hospital care now exceeds $110, according to figures quoted by the Secretary of Health, Education and Welfare. Services that would assist in keeping patients from hospitalization or rehospitalization certainly are worthy of serious consideration.

The American Dietetic Association's position is that the inclusion of nutrition as a component of health care will significantly reduce the number of people requiring sick care service.[3]

Home health services account for less than one percent of the Medicare dollar. It is estimated that the extension of home health benefits to include nutritional care would cost less than $5 million. Offering such service should offset this cost by decreased hospital utilization.

Dietitians would be the first to tell you that not all beneficiaries of home health services need nutritional care. There are those who do need it and are not having it under the present terms of Medicare simply because they cannot afford it.

Supportive of this viewpoint is an article written by Dr. Lawrence Power, Chief of Medicine and Chief of Endocrinology at Detroit General Hospital, published in the *Journal of Nutrition Education*, Vol. 5, No. 4, October-December 1973. The article is entitled "New Approaches to the Old Problem of Diabetes Education." I will quote from this only in part: ". . . the average patient today is disabled by a disease that has been present for five or ten more years. The leading causes of death in the United States are now coronary artery disease, obesity, emphysema, hypertension, diabetes and cerebral vascular disease. They are all characterized by progressive (often a symptomatic) stages of development evolving over many years. Yet 'the system' continues to address itself to 'the crisis.' Its emphasis, for example, is on the heart attack and its management, not the coronary artery disease that leads to it and its prevention.

"Most patients presently in need of medical care do not have traditional illnesses. . . . Most patients have long term, quietly grumbling disabilities that are manageable for protracted periods of time. Diabetes and arthritis come readily to mind. Such patients require the kind of supportive services that few existing health care centers are able to give. Such patients need a new kind of health provider. They need new ways of being instructed in the management of their disorders. In addition of course, they need new ways to finance these services."

Dr. Powers describes the population whom he serves as mostly elderly, slow to learn or change, the majority black with a few Appalachian whites. Chicanos or European immigrants. As for the average outpatient department he says "(it) provides the diabetic with much opportunity for waiting and little opportunity for learning. . . . Little does the patient realize that there are more important shortcomings in his care than waiting. The average patient is taught little or nothing about his medication and even less about the aims of therapy. As an example of these shortcomings in the diabetic area, many patients recently selected at random from within our own waiting population could not indicate what a food exchange was, why they were testing their urine for sugar, and the meaning of ketones if they found them."

In describing nutrition services in a scene which he paints as "an area of hustle, crowding, unfamiliar patients, misplaced records and framentary care." Dr. Powers says: "The dietitian's handicaps in this arrangement simply compound the problem. . . . She is routinely called at the last minute to instruct patients who have been hospitalized for several weeks and are now dressed for discharge with waiting relatives double-parked on the street below.

"Even without these routine impediments, the dietition is expected in a consultation or two to change the life long habits of a group of slowly comprehending patients for whom truly effective training would require hours of time and weeks of visits."

H.R. 13870, Title XVIII amendments, Section 1883, does provide for nutrition services provided in the place of resident of those qualifying for benefits, such services to be given by a professional nutritionist if the need for such services is certified by the individual's physician. We endorse this part of the proposed legislation and recommend

Footnotes at end of article.

that it be kept as a part of the statutory requirements.

Further, we recommend that "nutritional care," the application of nutrition science to the health care of people, be integrated into preventive, diagnostic, curative and restorative health services provided under any national health insurance program and that nutritional care, as a component of health care, be available to all people on a continuing and coordinated basis.[4]

In a position statement adopted by The American Dietetic Association in 1971, our members recommended that "Any national health insurance program adopted include incentives for the development of preventive health services. Nutritional care should be identified in the legislation as an essential component of preventive health care service."[5]

The Ten State National Nutrition Survey authorized by Congress which was completed in 1970, pointed up the need not only for remedial measures but for preventive ones if we are not to continue past mistakes.

The reports from this survey prompted the establishment by DHEW of a continuing national nutrition surveillance system. The Health and Nutrition Examination Survey (HANES) has been conducted by the National Center for Health Statistics since 1971 as a continuing national system to measure and then to monitor nutritional status in the United States.

A preliminary report was released in late February of this year on the most recent HANES findings. Data are based on information collected in 1971–72 from one-half of a total population sample of about 30,000 persons designed to be representative of the civilian, noninstitutional population 1–74 years of age.[6]

The preliminary report covers dietary intake of calories, protein, iron, calcium, vitamins A and C, and biochemical findings for hemoglobin, hematocrit, and percent transferrin saturation—all related to iron levels—and for serum vitamin A, protein and albumin.

Biochemical analysis of iron levels in the blood show that iron deficiency with anemia is most marked among persons aged 1–17 years, with the greatest problem among very young children.

Relative calcium intake (mean intake per 1,000 calories) is lower for blacks than for whites in each of the age, sex, and income groups examined. For black women 18–44 years, mean calcium intake is also low compared to either the standard or the reported intake for white women of these ages. The proportion of black women who reported calcium intakes below the standard was clearly greater especially in the low income group, than for white women.

Average intake of calories and protein, as of the specific nutrients, varied considerably with family income levels, and between black and white persons.

Over 29 percent of people ages 60–74 years with incomes below the poverty level reported an intake of less than 1,000 calories for the twenty-four hour period prior to interview, as compared with 16 percent of such age persons with incomes above poverty level.

Intake of less than 1,000 calories was reported for a higher proportion of black children aged 1–5 years than for white children of these ages.

These figures represent individuals who are "noninstitutional" but certainly they could profit health-wise from appropriate dietary counseling and prescribed preventive measures if they were available as a covered service to those who needed them. A comprehensive health insurance plan cannot ignore such data.

In a DHEW publication, "Malnutrition, Learning and Intelligence" published in 1973, Herbert G. Birch, M.D., Ph.D., of the Albert Einstein College of Medicine said: "It has long been recognized that the nutrition of the individual is perhaps the most ubiquitous factor affecting growth, health, and development. Inadequate nutrition results in stunting, reduced resistance to infectious disease, apathy and general behaviorial unresponsiveness. In a fundamental sense it occupies a central position in the multitude of factors affecting the child's development and functional capacity."

After reviewing considerable data and research Dr. Birch concludes: "On the basis of the evidence so far set forth it may be argued with considerable justification that one can reasonably construct a chain of consequences starting from the malnutrition of the mother when she was a child, to her stunting, to her reduced efficiency as a reproducer, to intrauterine and perinatal risk to the child, and to his subsequent reduction in functional adaptive capacity."

Reports such as this have served to make the public aware of their nutritional needs and the gaps that exist in services that could help to meet these needs and thus become vital preventive measures.

The report of Forum No. 10, of the 1970 White House Conference on Children was entitled, "Keeping Children Healthy: Health Protection and Disease Prevention." In summing up their discussion of the Forum reported, "This Forum considers preventive health care to include not only good physician and dental care but also adequate housing, quality education, sufficient clothing, good nutrition, good sanitation, as well as opportunities to experience love, achieve self-respect, participate in play and become meaningfully involved with others."

In this Forum's recommendations related to preventive and constructive health services they urge that there be a comprehensive child health care program rather than the fragmented, isolated programs that now exist. Specifically in regard to nutrition they said: "Nutrition concern is seen as an indispensable component in programs for children and families, and hopefully, with nutritionists as part of the health teams in direct service or consultant roles."

One recommendation from the 1971 White House Conference on aging was "It is recommended that nutrition services and nutrition counseling be a required component of all health delivery systems, including such plans as Medicare, Medicaid, health maintenance organizations, home health services, extended care facilities and prevention programs."

There appears to be sufficient evidence that the need for nutritional care exists; that the consumer views this as a legitimate, desirable service for all age groups and expects to find this as a covered benefit in any acceptable and viable health care legislation. We recommend, therefore, that the "Part A—Scope of Benefits—Benefits Provided-Covered Services" in H.R. 13870 be amended to include "Nutrition Services." These services to be provided on both an outpatient or consultation basis and so eligible for reimbursement to the beneficiary.

We believe that it is not only nutritionally unsound to offer treatment for only a part of a problem i.e., curative and rehabilitative as the proposed legislation does, but that it is also medically and financially unsound.

To plan a health program of the vastness of any of those proposed with limited or no provision for nutritional care when accumulated supportive data is available appears to be an oversight that needs prompt attention. To neglect the opportunity to insure more positive health for the population is not being totally responsive to a major health concern in this country.

"Nutritional Assessment in Health Programs" is a report based on proceedings of the Conference on Nutritional Assessment held in 1972, and sponsored by the American Public Health Association, Inc. A brief paraphrase will help to summarize the need for more attention to nutritional needs throughout the life cycle regardless of economic environment.

The "Assessment" points out that good nutrition in infancy and childhood is essential for normal growth and development. Because of the acceleration of growth during adolescence nutrition may strongly influence growth and maturation. Nutrition requirements at this stage in life are increased in both amounts and types.

Poor maternal nutrition can result in perinatal deaths and low birth-weight infants who are more subject to morbidity and mortality, whether they are premature or full term.

Public health statistics indicate that the major cause of mortality in the adult population are heart disease, stroke and cancer. Some of the risk factors associated with heart disease and stroke are related to nutrition. Presently certain kinds of foods are suspect regarding cancer of the intestinal tract.

Diabetes mellitus, obesity, gout, hyperlipidemias, various anemias, intestinal enzyme deficiences all have interrelationships with nutritional practices of both adults and children. It is also recognized that obesity may contribute to the risk of coronary heart disease, especially through its association with diabetes mellitus and hypertension. Obesity commonly has its origin during childhood thus emphasizing the need for special attention to proper nutritional patterns throughout the life cycle.

In conclusion we should like to include a quotation from testimony given by William J. Darby, M.D., Chairman, The Nutrition Foundation, Inc., before the Senate Select Committee on Nutrition and Human Needs, "Although the majority of the cases of nutrition disease that we see in our hospitals are those occurring with other medical conditions, practically all of the deficiency disorders could have been prevented had the patients and their physicians utilized proper understanding of nutrition and diet."

We believe that the time is now for any comprehensive national health insurance plan to offer bold programs in primary prevention.

FOOTNOTES

[1] Promoting Optimal Nutritional Health of the Population of the United States. Policy statement of The American Dietetic Association. J. Am. Dietet. A.55:452, 1969.

[2] Statement of The American Dietetic Association before the Committee on Finance, U.S. Senate, concerning provisions of H.R. 1.

[3] The Nutrition Component of Health Services Delivery Systems. Position paper of The American Dietetic Association. J. Am. Dietet. June. 58:538, 1971.

[4] Ibid.

[5] Ibid.

[6] Health and Nutrition Examination Survey 1971–72 (HANES Preliminary) U.S. DHEW, Feb. 27, 1974.

White House Conference of Food, Nutrition and Health. Final Report. Washington, D.C., Gov't Prtg. Off., 1970.

White House Conference on Aging. Final Report. Washington, D.C., Gov't Prtg. Off., 1970.

White House Conference on Children. Final Report. Washington, D.C., Gov't. Prtg. Off., 1970.

Footnotes at end of article.

HEALTH PROFESSIONS EDUCATIONAL ASSISTANCE ACT OF 1974—AMENDMENT

AMENDMENT NO. 1917

(Ordered to be printed and to lie on the table.)

Mr. PELL submitted an amendment intended to be proposed by him to the bill (S. 3585) to amend the Public Health Service Act to revise and extend the programs of assistance under title VII for training in the health and allied health professions, to revise the National Health Service Corps program and the National Health Service Corps scholarship training program, and for other purposes.

ADDITIONAL COSPONSORS OF AMENDMENTS

AMENDMENT NO. 1853

At the request of Mr. SCHWEIKER, the Senator from Nevada (Mr. CANNON), the Senator from Idaho (Mr. CHURCH), the Senator from Montana (Mr. MANSFIELD), and the Senator from Wisconsin (Mr. PROXMIRE) were added as cosponsors of amendment No. 1853, intended to be proposed to the bill (S. 3917) to amend and extend the Export-Import Bank Act of 1945, as amended, and for other purposes.

AMENDMENT NO. 1878

At the request of Mr. KENNEDY, the Senator from Minnesota (Mr. HUMPHREY), the Senator from Maryland (Mr. MATHIAS), and the Senator from Colorado (Mr. HASKELL) were added as cosponsors of amendment No. 1878, intended to be proposed to the bill (S. 3394) to amend the Foreign Assistance Act of 1961, and for other purposes.

AMENDMENT NO. 1879

At the request of Mr. EAGLETON, the Senator from West Virginia (Mr. RANDOLPH) was added as a cosponsor of amendment No. 1879, intended to be proposed to the bill (S. 3917), to amend and extend the Export-Import Bank Act of 1945, as amended, and for other purposes.

ADDITIONAL STATEMENTS

AN OBSESSION WITH NIXON

Mr. HUGH SCOTT. Mr. President, I ask unanimous consent to have printed in the RECORD an editorial from the Washington Star-News of Wednesday, September 18, 1974, entitled, "An Obsession With Nixon."

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

AN OBSESSION WITH NIXON

President Ford's press conference Monday night was hardly an inspiring event. About the only thing it proved was that the nation—or at least the nation's press corps—has an obsession about Richard Nixon.

Fifteen of the 21 questions dealt with Nixon or related matters. The question has to be asked: Is this continuing preoccupation with Watergate and Nixon a healthy thing? We believe it is not.

Yes, Ford had indicated he would wait until legal processes had been allowed to run against Nixon before he considered a pardon. Yes, he went ahead without waiting. Does that mean he is insensitive to public opinion? Does that mean he is a liar or a cheat? No, it does not.

It means that he changed his mind because of what he thought were good and sufficient reasons, which is something that presidents before him have done and presidents after him will do. Perhaps he did it with a certain amount of ineptness, without conditioning the public and without consulting congressional leaders. But that does not make it wrong.

It was said after the press conference that Ford shed no new light on his reasons for giving Nixon the pardon. Is it possible that there is no new light to shed? The President said he issued the pardon because he thought it would hasten the healing of wounds opened by Watergate. Cannot that be accepted, or must the search go on for some sinister motive?

What good will it do to badger the new administration over the pardoning of Nixon, an act that most Washington observers and probably most Americans felt would come eventually anyway? Is the timing of the pardon really that important? Do we really want to try to discredit an administration only six weeks old when the nation still is reeling from the excruciating process of getting rid of an unwanted president?

By every measure of public opinion, the biggest worry on the mind of the people is the state of the economy. Yet Ford was asked only one question on that subject. Discussions on the economy tend to be dull—in contrast to the sensationalism of Watergate and crime in high places—but it is the most important domestic concern at the moment and it deserves attention at White House press conferences.

Matters of great moment must be dealt with all over the world but the only questions Ford was asked in the area of foreign affairs involved one subject—what the Central Intelligence Agency had done in Chile. National health insurance is of utmost importance to Americans but that was not even brought up.

It is past time for the focus to shift from Watergate and Nixon. President Ford deserves a chance to grapple with the great problems facing this nation and the world.

J. ED "BRICK" TRAVIS INDUCTED INTO FOOTBALL HALL OF FAME

Mr. EAGLETON. Mr. President, I would like to make official recognition of the fact that Mr. J. Ed "Brick" Travis of Missouri will be inducted into the National Football Hall of Fame on Saturday, September 21, in ceremonies to be held during the half-time of the Missouri University-Baylor football game in Columbia, Mo.

Brick's career was an illustrious one: he played tackle for the Missouri Tigers in 1919 and 1920 and spirited the team to a conference championship during the 1919 season; he was on the All-Missouri-Valley Team 2 years in a row in 1919 and 1920; he played pro ball for 2 years in the early 1920's with the Rock Island Independents and the St. Louis All Stars, both forerunners of the present-day professional football teams.

Brick Travis has played an instrumental part in the history of football in this country, and it is most fitting that his distinguished career be rewarded by this induction into the National Football Hall of Fame.

TRIBUTE TO DR. FORREST C. "PHOG" ALLEN

Mr. DOLE. Mr. President, today in Lawrence, Kans., final tribute is being paid to a great figure in the world of American collegiate athletics, Dr. Forrest C. Allen. He will be remembered by most around the country as the father of collegiate basketball coaching. He will be remembered by many, who like myself knew him personally, for his genuine qualities as a leader, as an inspiration, as, in short, a great individual.

Dr. Allen played basketball under the game's inventor, James Naismith, at Kansas University. For 46 years, 41 of them also at Ku, Allen coached college basketball and compiled a list of 771 victories, a record in intercollegiate play that stood until 1968 when Adolph Rupp, one of Dr. Allen's former students, eclipsed it.

He has a lengthy list of accomplishment and service not only to college athletics but to his community. And while he has earned a niche in the history of American sports, it is primarily for his personal and important contributions to my life that he will always have a special place in my memory.

Back in the twenties, an Eastern sportswriter upon whom history has bestowed anonymity, dubbed Dr. Allen the "foghorn" as much for his unabashed and vocal boosterism of Kansas and KU as for his outspokenness on the need for clean amateur sports.

The nickname "Phog" stuck with him, but in my own personal recollection of the man, it was a misnomer.

I had the privilege of playing on his freshman team at KU before entering the Army. When I returned to Topeka and was admitted to Winter General Hospital there Phog Allen was among the first of my visitors.

He cleared up many things and helped me get a better perspective on what was ahead. He convinced me that there was more to life than football and basketball—a large lesson for a young man with expectations like those I had entertained before the war—and he helped me to realize that there could be other challenges and other rewards in my future.

I felt an immediate sense of personal loss when I learned of his death on Monday. I shall always be in his debt.

Mr. President, I ask unanimous consent at this time to print in the RECORD two editorial tributes to this great man. The first appeared in the Lawrence Journal World, whose editor, Mr. Dolph Simons, Sr., knew and worked with Phog Allen in service to the community of Lawrence for many years, and the second appeared in the University Daily Kansan, the newspaper published at the university Allen served so faithfully.

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

DR. FORREST C. ALLEN

Dr. Forrest C. Allen was an outstanding man in the history of this community. He came about as close to greatness as any man could attain, and it was primarily because of his general leadership and inspirational qualities which benefited others in so many ways.

He will be best known in years to come for his outstanding record as a coach and athletic director but beyond that, his ability to lead and inspire others was something far beyond the talent of the average individual.

Phog Allen, who died early today, was a great competitor; hundreds of young men were better prepared to meet the problems of life because of his influence and his ability to make men extend their normal talent and

ambition. He was an all-around good citizen and he was quick to accept responsibility in supporting programs for general benefit. He was a devoted family man and a loyal friend.

Those who associated with this warm and personable man were indeed fortunate. He was something special: good, capable, talented, an outstanding athlete and coach, and a first-class citizen in every way.

SOUNDS OF THE "PHOG" STILL ECHO
(By Jeffrey Stinson)

"One of the most common dangers to college athletics is the athlete who, under the guise of amateurism, wants to get paid for his athletic services."

These words came from "the foghorn"—Dr. Forrest C. "Phog" Allen—in 1922. He was dubbed "The Foghorn" by eastern sportswriters because of his outspoken, unequivocal views on clean amateur athletes and his loud promotion of Kansas and the University.

The "Phog" died yesterday, but he left with us more than a strong tradition of outstanding athletic teams and all-star athletes. He left us with sage counsel on amateur and inter-collegiate athletic competition culled from almost fifty years of devotion to it.

He scorned what he termed "the athletic tramp" who sought payment for his competition. He warned that amateur sport could be ruined by phoney scholarships that allowed players to loaf through school. He despised gambling.

In the present day of the free ride, illegal recruiting, underhanded payments and bribes, side bets and promotional hucksterring, the foghorn should again be sounded.

"The evils growing from athletic contests are merely functional evils;" Allen said in 1923, "they are not inherent to the system." "They should be remedied if possible, but the system should not be abolished until some other has been proposed to satisfy the desire for play and furnish wholesome recreation. Clean athletic sports must at all hazards be saved."

A TRIBUTE TO I. ROBERT KRIENDLER

Mr. RIBICOFF. Mr. President, on August 18, 1974, funeral services were held for I. Robert Kriendler, known to his friends and intimates as Bob. All who knew and loved Bob were deeply saddened by his death.

The eulogy was delivered by Col. Alexander W. Gentleman, USMC (Ret). It was most touching and reflected the feelings of all Bob's friends. I ask unanimous consent that it be printed in the RECORD.

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

A TRIBUTE TO I. ROBERT KRIENDLER—1914–74

[Colonel, United States Marine Corps, (Ret.)
Founder/Officer—Kriendler/Berns Foundation]

Thirty years ago, on the embattled island of Guam, in the South Pacific, something wonderful happened to me. I met the man destined to be my dearest friend and one of the most important persons in my life. That man was a dedicated young Marine who had left his post at "21" to serve his country—and his name was Bob Kriendler.

From that important day in my life to this very sad occasion, no friends could have been closer. Mindful of our mutual devotion, Bob's wonderful family asked me to express a few of my thoughts on this day.

In doing this, I think of Bob's four great loves and of his deep devotion to each of them.

First, of course, his love of family. He was a husband, father, brother and grandfather without peer. No man could have been more devoted to or more completely involved with each and every member of his family. Indeed, Bob was happiest with family around him. Their interests and activities became his—and he stimulated their achivements with his constant enthusiasm and loving guidance. This soft-spoken man, in his kind and generous manner, always thought first of others. This love was reflected and I am certain this is why Bob was a happy man, abounding with family pride. No family could ever be given a better foundation of love and happiness upon which to build.

Next, Bob's love of country and his complete dedication to the United States Marine Corps—which made him a truly great American and a most distinguished Marine. His outstanding service to country and to the Marine Corps is evidenced by the many personal decorations and honors bestowed upon him. These decorations include:

The Legion of Merit, with Combat "V";
The Bronze Star;
The Purple Heart;
The Leatherneck Man of the Year Award; and
The Congressional Medal of Honor Society Award.

Bob's distinguished career in the Marine Corps ran the complete gamut from a Combat Marine in three wars to a peacetime staff officer, acting as an aide to the Commandant of the Marine Corps. His abiding interest in the Marines and his untiring efforts on their behalf knew no bounds. Dedicated and loyal, in peace as in war, serving with distinction on Guadalcanal, Bougainville, Guam, Iwo Jima, Korea and Vietnam, Colonel Kriendler remained always "The Marine's Marine," and in peacetime continued his devoted support of his beloved Marines. For example:

His Trusteeship of the National Marine Corps Scholarship Foundation;
His Trusteeship of the Marine Military Academy in Texas; and
His Directorship of the Third Marine Division Association, which honored him in San Diego only last month.

Among Bob's loves, also, was his Alma Mater, Rutgers University. As a member of its Board of Trustees, Bob contributed in large measure to its growth and success through the years. In recognition of those achievements. Rutgers honored Bob with the degree of Doctor of Humane Letters.

Such a degree befitted no man more than Bob Kriendler. His deep concern for his fellowman was a dominant force in Bob's life and as a result he worked with vigor as a member of the Board of Trustees of Mount Sinai Hospital and of the Hamptons Hospital Medical Center, and for countless charitable causes. To each activity, he devoted himself completely, unselfishly and always productively.

Primarily the love—of youthful origin—in Bob's life was, of course "21." To this great institution Bob brought his tremendous enthusiasm, dynamic personality, boundless energies and true business expertise. Under Bob's leadership, as President, "21" reached new heights—not only as a great restaurant but as a way of life.

With all these honors, achievements and activities, Bob Kriendler still remained a kind and sweet man, unaffected by his many accolades and ever devoted to a multitude of friends in all corners of the world. In each of us, blessed by his wonderful friendship, he leaves a void, never to be filled . . . but forever and always he will live in our hearts.

To summarize those qualities of greatness which endeared Bob Kriendler to so many, I quote from a toast made to him on his last birthday by a dear mutual friend from Arizona, Bob von Lutzow, who said:

"I have made a short list of qualities which depict Bob's personality, as follows:

Thoughtful, charming, generous, kind, witty, capable, honest, entertaining, gregarious, punctual, a fabulous host, brilliant, efficient, patriotic, a master of the toast, handsome, strong, gracious, adoring grandfather, wonderful father, devoted husband.

And as it would happen, these qualities number exactly "21."

FIRST STATE BANK OF DIME BOX, TEX., HAS LOWERED ITS PRIME INTEREST RATE

Mr. TOWER. Mr. President, I would like to bring an extraordinary action by a financial institution in the town of Dime Box, Tex., to what I am sure will be the appreciative attention of my colleagues in the Senate. Dime Box has a population of only 313, but in spite of its size, it has enormous resources in both spirit and leadership. Under the guidance of chairman of the board Frank Head, the First State Bank has lowered its prime rate from 12 to 11½ percent.

This unselfish act in a time of extreme monetary crisis is proof of the continuing value of individual initiative, and I am proud that, once again, the example has been set in the State of Texas. I hope that the great vaults of institutions like the Chase Manhattan, the Bank of America, and the First National City Bank will open with the same generosity shown by the significantly smaller coffer of Dime Box.

PUBLIC DOCUMENTS ACT

Mr. BAYH. Mr. President, 8 months ago I introduced S. 2951, the Public Documents Act designed to clarify the law as to the public's right of ownership of the official papers and materials of their elected representatives. Since the introduction of my bill, there has been an increasing amount of public comment about these papers and documents. I was particularly pleased to note that President Ford in his press conference this week endorsed the concept of public ownership. I hope the President's support will mean that this legislation can be acted upon favorably during the 93d Congress. I ask unanimous consent that a series of newspaper articles and editorials on this important question be printed in the RECORD.

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

[From the Stars and Stripes, Feb. 25, 1974]

PRESIDENTIAL PAPERS: WHO OWNS THEM?
(By Don McLeod)

President Nixon has history on his side in claiming title to the documents and records of his vice presidency. But nothing in the lawbooks says they belonged to him.

There is no definitive answer to just who owns the documents which pass through the hands of public officials. The balance of evidence indicates that many of those claimed as private papers actually belong to the government.

In the case of vice presidential or presidential papers, the question of ownership was not raised until $482,000 in deductions showed up on Nixon's federal income tax returns over the past four years for papers he gave to the government.

The Internal Revenue Service and a joint congressional committee are rechecking the deductions. And the federal courts have been

asked to rule on the ownership issue in a suit seeking access to the papers, which are now closed to the public.

Whatever the courts rule, every president since George Washington has treated the documents generated by his office as private property. The tradition appears to have arisen more by accident than by design.

When Washington left office in 1797, he took all his papers with him. If he hadn't and if incoming President John Adams hadn't wanted them, they probably would have wound up in the White House trash bin.

The young government had no provision for preserving its records. The Library of Congress wasn't created until 1800. The National Archives came into existence in 1934.

One theory is that the early presidents were following the tradition of European monarchs who owned state papers because they owned the state. A king's papers, like his kingdom, passed to his heirs. So have those of presidents.

The government eventually recovered Washington's papers by paying his heirs $45,000 for them. It paid $20,000 to the estate of Thomas Jefferson for some of his papers.

Mrs. James Madison sold her husband's papers to the government for $65,000. James Monroe's were recovered for $20,000 and Andrew Jackson's for $18,000.

By gift or purchase the Library of Congress has the papers of 23 former presidents. None of the collections is complete and some were heavily depleted while in private hands.

For example, White House papers of William Henry Harrison, John Tyler and Jackson were destroyed or partially lost in fires.

Other presidential papers were destroyed deliberately, principally those of Warren G. Harding's scandal-ridden administration. Mrs. Harding gathered them up after her husband's death and disposed of most of them.

Martin Van Buren is believed to have personally purged his papers. Ulysses Grant and Franklin Pierce also destroyed some of theirs. Most of Chester A. Arthur's have disappeared.

Robert Todd Lincoln held onto his father's papers until 1923 before finally giving them to the government. But first he removed and destroyed those he didn't want history to record.

Other presidential collections have been preserved but never returned to the government.

For a president to cart off his papers upon leaving the White House was an easy matter in the old days. There weren't that many papers, and storage was no problem.

Abraham Lincoln's son stored his papers in a trunk. But when Franklin Roosevelt died after 12 years in the Oval Office, his papers filled 500 file cabinets.

Although the presidents continued to claim ownership of their White House papers, Roosevelt recognized the impracticality of private preservation and started the trend of leaving them to the government.

Roosevelt's papers were turned over to the Franklin D. Roosevelt Library in Hyde Park, N.Y., which since 1939 has been operated as part of the National Archives. Herbert Hoover then contributed most of his White House papers to a presidential library in West Branch, Iowa.

In each case, however, the transfer was treated as a gift of private property.

Presidents giving up their papers have held the right to see, use and remove them at will. They also have required that some be kept private if disclosure might be embarrassing, betray a confidence or imperil national security.

In most cases, though, the bulk of the papers was freed immediately for research by scholars or viewing by museum visitors, and the remaining secrets revealed as the people and events involved passed into history.

The deeds transferring Nixon's vice presidential papers to the government stipulate that no one, other than the archivists processing them, may see any of the documents regardless of content without written permission from Nixon.

The last time such a tight clamp was placed on a presidential collection in government custody was before the days of presidential libraries when Calvin Coolidge's papers were limited to those obtaining permission from his widow. They are now open.

Federal law now allows the presidential libraries to keep papers sealed no more than 25 years, except for lingering defense classifications.

The longest restriction on record was on the Adams papers, which were closed by the family until 1956, more than 150 years after the second president left office. Lincoln's papers were sealed at his son's insistence until 1947. Most of Harding's, still in private hands, remain closed.

A major difference between Nixon's donation and most other presidential papers given to the government is that he, and apparently Johnson, used the gifts as the basis for income tax deductions.

In the face of criticism over his taxes, Nixon said he would be happy to take the papers back and pay the tax because the documents are worth more than the deductions he got for them.

This raises the additional question of whether a president could sell such papers to the highest bidder.

The difficulty in resolving this problem is that everything is based on historical practice. None of the laws dealing with presidential papers directly address the question of which are private and which public.

Obviously, there has to be a dividing line somewhere. For example, if a president goes to a foreign capital to sign a treaty, the document does not become his personal property. But a letter home to the first lady about the weather or the dinner menus clearly would be theirs.

The Nixon vice presidential papers include documents official in nature. Among them are reports to the White House on his official travels abroad.

There are arguments that a president's official papers should not be separated from his private correspondence and memorabilia despite the ownership questions.

"Aside from the difficulties of classification, the major objection to this proposal is that it would be a crime against history to break up the presidential collection and place its components in separate depositories" David Lloyd, the man who set up the Truman library, has said.

Another argument is that the office of the presidency is constitutionally immune from any interference with its papers.

"Under our constitutional system," former U.S. Archivist Wayne C. Grover once told Congress, "it is logical that the separate and independent status of the office should extend to and embrace the papers of the incumbent of the office."

However, this argument rests entirely on the sanctity of the office, not the property rights of the man. And by invoking the Constitution it implies that the property of the office is at stake.

The other half of the constitutional argument is that the Constitution by implication guarantees confidentiality to presidential business.

"Few would write to a president in confidence, and few presidents would put their private thoughts on paper, if the expiration of the presidential term were to be a signal for disclosure," Lloyd said.

"And as a consequence," he added, "the ability of the president to function as an independent officer of the government would be curtailed, if not crippled, and our constitutional framework would be damaged."

Although the law has never distinguished specifically between private and official presidential papers, it spells out the ground rules rather clearly for government officials and employes in general.

First of all, federal law says no government employe may copyright anything he writes for the government.

The leading court case in this area is the 1967 suit between a publishing company and Vice Adm. Hyman G. Rickover concerning the publication rights to some of his speeches.

The courts held that what Rickover did on his own was his business and such speeches belonged to him, even if the information used in the talks was drawn from his Navy experience. On the other hand, speeches made for the Navy belong to the government.

The Nixon administration made this same argument in the Pentagon Papers case when it contended that documents about Vietnam prepared in connection with official duties belonged to the government and not the men who wrote them.

Among Nixon's vice presidential papers claimed as private property are official reports on government missions and recommendations to President Eisenhower.

In defense of the Nixon gifts and tax deductions, the White House cites legislation setting up the presidential libraries and authorizing the General Services Administration to receive contributions to them.

These statutes set up machinery and facility for housing and preserving these materials. But none of them ascribe to a president ownership of official documents. On the contrary, they recognize that some of the material for the libraries would be personal and some would be official.

The Senate report on a 1950 bill authorizing receipt of material for libraries said it would "make it possible for the personal papers and other personal historical documentary materials (motion pictures, sound recordings, etc.) of the president and other high level government officials to be preserved by the government with related official records."

The White House says that Nixon's claim of ownership is valid because this has been the tradition of past presidents.

"Historically, presidential papers since the time of George Washington have always been considered the personal property of the president," a White House official said. "This president followed the practice of every other president in so considering his papers his property."

But the Supreme Court has held, in a case involving the size of juries, that historical record is not the equivalent of legal precedent.

[From the Washington Star-News
Aug. 20, 1974]

PUTTING PAPERS IN THEIR PLACE

(By Garry Wills)

Geeorge Washington, whose sense of duty was his ruling principle, told all his executive officers to live with a corrective awareness that their acts would be appealed to, ever after, as a precedent. They were the government's beginning. They would set its course for many years.

Washington knew that what applied to his subordinates applied trebly or more to him—he led the most scrutinized and scrutinizable presidency of all time. What he did, even inadvertently or by accident, became a rule.

Unfortunately, that applied to his private papers. The very existence of these papers came from a special attention to the documents that belonged to the nation. There was an emphasis on the binding first public

documents, which were filed in the State Department. Nobody cared much, yet, for the slim file of things that did not bind the young nation.

Washington, a man about to free his slaves and strike a blow at his own wealth, did not seek any precuniary advantage from owning his papers. He took them away, simply because there was no place to leave them.

Mount Vernon already existed, but it was not turned into a monument; and certainly no new "library" was raised to celebrate him. His adopted son showed people his memorabilia, but at his own house, Arlington; and there was never any question of making money from their display.

Admittedly, politics was an aristocratic occupation at the outset, and universal sufferage introduced a different kind of president into the executive mansion. But that is why we have granted latter-day presidents a very generous pension.

But these later presidents, given Cabinet salaries all the rest of their lives, and top-executive expenses, not to mention extensive protection and privileges, have taken their papers and based a further wealth upon them.

This means that the public has paid for these papers three times over—once, when they were made, on paper the taxpayers bought, typed by secretaries on our payroll, using increasingly expensive machinery of duplication; twice, when we have given the presidents who donated these public papers a big tax write-off for giving back what we paid for in the first place; and thrice, when we gave tax advantages to the donors who built grandiose libaries to put these papers in.

That is the way it has been; and it was not fair to the nation when LBJ or JFK in effect built themselves monuments at public expense without a public decision in their regard. Nixon's lawyers, who unilaterally declared that the White House tapes belong to Nixon personally, can indeed appeal to this custom—but it is a custom that badly needs changing, and what better time to change it than now?

President Ford has ordered the Nixon tapes and documents held pending the resolution of Watergate and related legal issues, and the special prosecutor's office is reported researching the matter. Congress should instantly draft a bill stating that papers generated during a presidency belong to the nation, and no further profit or tax advantage can be derived from them.

The Nixon tapes, purchased with public funds, played on government recorders operated by civil servants, were made—Nixon claims—for historical purposes. Some of them have been demanded as criminal evidence, and others of them could well be demanded in the future. Neither of these purposes would be served by giving the tapes to Nixon. Both would best be served by sealing those adjudged as harmful to the public good and releasing those that are needed in trials.

We should discourage the building of expensive monuments to each president's papers. This just leads to the production of a mass of trivia that can fill the mausoleum. Indeed, one reason for Nixon's tapes being made in the first place may have been to provide more documents for his memorial library. It would be fitting if the tapes served the higher purpose of discrediting this whole practice. We are not living in ancient Egypt. We don't need to raise pyramids to our dead kings.

TRIALS, TAXES TANGLE NIXON'S PAPERS

(By Bob Kuttner)

Picasso used to doodle on 10-franc notes, a habit that instantly kited their value a hundredfold. French monetary officials eventually persuaded him to desist, on grounds that even so eminent a private citizen shouldn't go around impetuously inflating currency.

The same Midas sensation must have occurred to appraiser Ralph Newman as he turned the dross of yellowing official papers from the Nixon vice presidency into the gold of tax deductions. Newman certified the worth of thank-you notes from Girl Scouts and diplomatic notes from the Russians in neat denomination of $1, $25, and $250; in all, 400 cubic feet—a small roomful—of pre-presidential papers worth over $2 million.

On that basis, the 27,000 cubic feet of papers, documents and tapes from the Nixon presidency should be worth tens of millions of dollars. While the loophole giving official papers their tax value was closed in 1969, it is widely assumed that the presidential papers are still Mr. Nixon's to keep, donate, sell or burn.

"We consider every piece of paper accumulated in the White House during the Nixon administration to be his personal property," said Richard Q. Vawter, spokesman for the General Services Administration.

But the Nixon presidential papers and tapes are currently reposing in a peculiar limbo, and until Mr. Nixon's own fate is settled and the Watergate cover-up trial concluded, it is unlikely they will be carted off to San Clemente—even though President Ford concedes they are probably Mr. Nixon's personal property.

But despite Mr. Ford's concession, the question of ownership of the papers has been referred by the White House to Attorney General Saxbe for a ruling, and it is likely to crop up again.

Indeed, like so much else shaken by Watergate, the tradition that public documents can also be personal property has been twice tarnished—by Mr. Nixon's unsuccessful attempt to claim deductions on his vice presidential papers before the tax law changed, and by the unprecedented need to preserve his presidential record as possible evidence in a criminal trial.

In its report last April on Mr. Nixon's personal finances, a congressional committee on taxation observed that Presidents have customarily considered their papers to be personal property, but noted a question "as to whether it is desirable for Presidents of the United States to derive profit from the sale of materials that were produced while they were public servants," and the committee invited Congress to reconsider the entire matter.

At a news briefing May 7, Mr. Nixon's lawyer James D. St. Clair said he thought the White House tapes should be considered government property.

Sen. Birch Bayh (D-Ind.) has introduced legislation requiring all elected officials to turn over to the National Archives "all papers and documents dealing with official business" within 180 days after leaving office.

Last week, a group of historians, including Lewis Hanke, president of the American Historical Association, Gerald Ham, president of the Society of American Archivists, James MacGregor Burns and others petitioned Congress to pass a law stating explicitly that documents prepared at public expense "cannot be regarded as private property" to be "sold, concealed, or destroyed at the whim of present or former public officials acting in their personal capacity."

Washington historian M. B. Schnapper, who circulated the petition, advertised last December offering a $1,000 reward to anyone who could point to a law permitting official documents to be taken as personal property. The reward was never claimed.

The Nixon pre-presidential papers, donated in 1968 and 1969, are also the subject of new controversy. On the eve of his resignation, Mr. Nixon wrote GSA Administrator Arthur F. Sampson amending his earlier deeds, which had provided the papers would become public when Mr. Nixon left office.

The letter, dated Aug. 8, 1974, closed the papers to the public until 1985.

Sampson accepted the change, but his decision is likely to be challenged.

Robert Brandon, director of the Tax Reform Research Group, filed suit last December demanding access to the papers under the Freedom of Information Act. Brandon argues that if Mr. Nixon retains the power to change the term of the "gift," he should not have been permitted a tax deduction in 1968.

Conversely, since the 1968 gift was deemed valid for tax purposes, Brandon reasons, Mr. Nixon has no right to restrict it now.

Mr. Nixon's 1968 and 1969 deeds provided that he could "modify or remove" the restrictions on access to the papers. But according to Brandon, when investigators questioned whether that provision gave Mr. Nixon as taxpayer a "future interest" in the papers and therefore negated the gift for tax purposes, they were assured by the lawyers who prepared the deed that it was only intended to permit a relaxation of the restrictions.

Brandon argues that GSA therefore has no right to accept new restrictions on public access to the papers.

According to James E. O'Neill, deputy Archivist of the United States, it is "not a typical" for restrictions to be added once a gift of papers has been donated. But there is no other case on record of a former President's adding new restrictions to donated papers.

"Obviously, Nixon didn't contemplate leaving office suddenly," said GSA spokesman Vawter.

"It's perfectly natural that he should want more time to sort out his papers," added Vawter, who takes the position that Mr. Nixon's right to add new restrictions was so clear cut that it was not necessary to seek a legal ruling.

Privately, however, some archivists are unhappy about the decision to accept the new restriction on the pre-presidential papers, and nervous about the future of the Nixon presidential papers.

Given the incalculable historical value of the papers, Archives officials are reluctant to do anything that might ruffle the former President, lest some of the papers be sold or destroyed.

If Mr. Nixon actually were to sell some of the papers, as has been widely speculated, he would be the nation's first President to do so.

As the Joint Committee on Internal Revenue Taxation reported, presidential papers have been considered personal property since George Washington took his papers home to Mr. Vernon. But the history is rather ambiguous, and few Presidents regarded their papers as property to be used for personal enrichment.

The idea that presidential documents might be worth a bundle, however, dates back to the earliest days of the Republic. One early former president with financial troubles, James Monroe, was advised by Nicholas P. Trist, a diplomat and lawyer, to "avail yourself of the value of yr papers by pledging the proceeds of their future publicn in considn of a loan."

Monroe wrote back, "Your suggestion as to the sale of my papers, or pledge of them merits attention . . . ," but Monroe ultimately used the documents only as raw material for two books, and the papers themselves were willed to heirs.

In 1782, Gen. Washington wrote that he considered his Revolutionary War papers "a species of Public property, sacred in my hands," but Washington willed his presidential papers to a nephew, Bushrod Washington, who in turn left them to his nephew,

George Corbin Washington, who sold them back to the government for $25,000 in 1834.

Throughout the early 19th Century in fact, Congress regularly appropriated funds to buy back presidential documents from heirs. The government purchased two batches of President Madison's papers from Dolly Madison in 1837 and 1848.

President Polk's papers were sold to the Library of Congress by Polk's niece in 1903 "*after some haggling* over price," the record reports.

But by the late 19th Century, it had become the custom for Presidents or their heirs to donate papers to the Library of Congress and later to the National Archives, with no remuneration. The last President whose papers were sold to the government was Andrew Johnson, and the first to systematically use his papers for income tax purposes while in office was Lyndon Johnson.

Between the two Johnsons, there is no evidence of financial enrichment connected with presidential papers, although President Eisenhower could have taken tax deductions for his after leaving office. Typically, the President or his heirs simply deposited the papers with the Library of Congress, and after 1934, the Archives.

After President Wilson's widow donated his personal papers to the Library of Congress, a library official visited the White House in 1924 seeking additional material from the Wilson administration. "There I found some 70 boxes of the Wilson administrations," he wrote. "Ostensibly they were the official files, as distinguished from the personal files, which are taken away at the close of a President's term."

FDR announced in December, 1938, that he considered his papers to be the property of the American people, and he began shipping batches of documents to his library in Hyde Park, N.Y., in 1940. He died without ever deeding the papers to the United States, but a Surrogates Court declared in 1947 that his intent has been clear enough and that the documents were public property.

Similarly, a memorandum by President Kennedy's family and a ruling from the Internal Revenue Service established that JFK had intended to donate his papers to the Archives. In both cases, the heirs were spared having to pay estate taxes on the inherited papers themselves, although no additional tax deductions to offset other income resulted.

In 1969, rumors of President Johnson's *innovation of* deeding increments of papers for income tax purposes led Sen. John J. Williams (R-Del.) to insist that Congress close the loophole. Ironically, the main victim of the reform was not Johnson, but Mr. Nixon.

Other unintended victims have been artists and writers, who no longer get a tax advantage from donating manuscripts or paintings to museums and libraries. Sen. Frank Church (D-Idaho) has introduced a bill to reinstate partially the deduction for donations of creative works, but not for documents produced by officeholders.

If and when the Congress reopens the prickly issue of who owns public documents, it will be under pressure from authors, historians and museums to restore the tax deduction for private documents.

If Congress fails to act, historians fear, public officials and private artists alike, guided by neither tax incentives nor clear policy mandates, may scatter documents of historic importance to the highest bidder or the lowliest heir, as was done in the 19th Century.

[From the Christian Science Monitor, Aug. 20, 1974]

PRESERVING THE PUBLIC'S PAPERS

The recent pulling and hauling over Mr. Nixon's tapes and papers now that he is out of office could have been avoided.

A bill submitted to the Senate six months ago by Sen. Birch Bayh would have declared all such documents, prepared by elected federal officials in the course of public duty, to be the property of the government. Congressmen Delbert Latta and Tennyson Guyer of Ohio have submitted similar bills in the House.

It is only custom, not explicit law, that has given to presidents since Washington free rein over the disposition of their office papers once their term expires. The nebulous nature of the custom was shown in recent days when former president Nixon's own legal counsel led in rendering the opinion that the ex-president's papers were "legally" his—an opinion put into question after Mr. Ford appointed his own legal counsel and it was decided the tapes should be kept handy in Washington for Mr. Jaworski's team.

The arguments for considering the official papers and documents of an outgoing elected official—congressmen as well as presidents—government property are several.

Such papers are part of the official history of the United States. If custom permits high officials to keep their papers it also permits them to destroy or suppress them for private, not public ends. The Bayh legislation would continue the practice of letting officials set conditions and timetables for making sensitive documents public.

The National Archives is well equipped to take charge of such collections. It already oversees the operations of the several presidential libraries scattered about the country. Scholars give the presidential libraries system high marks for professionalism.

Setting guidelines for restrictions on papers given to the public will continue to be awkward. The simple, understandable motive of not wanting a successor to rummage around in your records was expressed by John Adams when Thomas Jefferson followed him into office. Mr. Nixon just before resigning sought to seal his presidential papers, already donated to the government, until 1985—possibly to control access to them and protect any publishing ventures. To these political and personal safeguards must be added precautions for the national defense.

In the past, the handling of presidential papers has often been capricious. Officials looking for an original copy of the Treaty of Versailles could not locate it for a year after President Wilson's death, and it took another six months to get Mrs. Wilson to retrieve it from her attic. And many of FDR's most significant war memos quickly became available to scholars because they had been too sensitive for military classification, while classified documents were impounded.

Ironically, a leading motive behind the Bayh bill—to keep elected officials from profiting from materials created at public expense—is not much of an issue among scholars. Indeed, as Harvard historian Frank Freidel points out, the 1969 legislation that wiped out the income tax deduction for papers donated by public and private individuals has done a disservice to scholarship. The financial incentive of the tax deductions kept many individuals and families from simply throwing out papers of marginal commercial value but of historical interest. Declaring that the papers and documents of elected officials are government property might encourage a return to tax deductions for donating private collections of nonofficials to libraries or universities.

It is unfortunate that the question of who owns the official papers and records of elected officeholders has been raised by Mr. Nixon's tax and Watergate problems. But now that the issue stands in front of Congress, the appropriate committees in the House and Senate should step up to it and design an orderly system for retaining documents generated in high offices.

[From the Minneapolis Tribune, Aug. 25, 1974]

TAPES THAT OUSTED NIXON MAY BECOME HIS RICHEST ASSET

(By Finlay Lewis)

Barring a successful legal challenge, Richard Nixon is likely to end up some day as the owner of an enormously valuable collection of tape recordings.

Ironically, the tapes which may become Nixon's most precious financial asset are the same ones that caused his fall from power. But, before the ex-president can savor his reward, he will have to assert a claim that may be of dubious legal validity.

Already working its way through the federal courts is a lawsuit brought by Ralph Nader's Tax Reform Research Group that is attacking the broad proposition that presidential documents belong to the office holder, not the public.

A more direct legal attack is being planned by a historian and editor named M. B. Schnapper who has devoted the better part of a professional lifetime to asserting the public's right to own and control the books, documents, papers and other records generated by government officials in pursuit of their duties. His suit would deal directly with the issues raised by the tapes question.

Schnapper was outraged when Nixon's former White House lawyers declared in one of their last official acts that their former boss was the rightful owner of the presidential tape recordings. He was only slightly mollified when the Ford administration ordered the recordings to be held in the White House at the urging of special Watergate prosecutor Leon Jaworski.

Schnapper describes the situation as a "great hoax" and cites reporters and congressional tax experts as unwitting accomplices.

Basically Schnapper contends that there is no legal basis to support Nixon's claim and that there is constitutional language to support the contention that presidential records are public property.

For example, the constitutional provision prohibiting a president from receiving "emoluments" other than his salary would be violated if a president were able to sell official documents at a profit, Schnapper argues. And if that's true, Schnapper says, there is no logical basis for assuming that an ex-president acquires property rights that were denied him while in office.

Another section of the Constitution makes government documents ineligible for protection by copyright, which is a guarantee of literary ownership, Schnapper says. Yet another constitutional provision gives Congress the sole power to dispose of property belonging to the United States.

"Congress," Schnapper says, "has never enacted a law sanctioning the ownership of official documents by ex-presidents or any of the hundreds of officials and former officials who have treated their documents as private property for personal gain."

Indeed, he claims that the news media and the congressional staff of the Joint Committee on Internal Revenue Taxation fostered the mistaken impression that Nixon would have been in compliance with the law in 1969 if he had made a timely donation of his papers to the National Archives.

The joint committee staff and the Internal Revenue Service (IRS) earlier this year disallowed a huge tax deduction claimed by Nixon, partly on the grounds that the gift was made after the law was changed in July 1969.

In fact, Schnapper argues, the tax laws have at no time expressly sanctioned charitable donations of official documents. Nixon and several other presidents who made similar successful donations were simply attempting to take advantage of a general provision covering charitable contributions by broad classes of taxpayers, Schnapper says.

Schnapper's contention on that point was confirmed in another interview last week with an IRS official.

In 1950, Schnapper says, Congress passed an act, now known as the Presidential Libraries Act, which, among other things, provides for the "deposit" of presidential documents. According to his research, at least two earlier draft versions of the measure contained language recognizing presidential documents as the private property of the office holder. But that language was dropped from the final bill.

Schnapper also disputes the principal claim that has traditionally been advanced in support of private ownership of official documents. That claim centers on the assertion that departing presidents and other office holders have customarily taken their papers and records with them into retirement.

On the contrary, Schnapper lists 19 former presidents who either deposited their papers with the Library of Congress or turned them over to other depositories, such as historical societies, "without any financial quid pro quo deals."

The Whitt House opinion asserting that Nixon owns the tapes was issued by J. Fred Buzhardt and James St. Clair.

Neither lawyer was available for comment last week, but their side of the argument has generally been supported in the past by references to history, tradition and the absence of any law expressly prohibiting private ownership of official papers.

Schnapper, in an attempt to fill that legal void, has petitioned Congress to pass a law explicitly stating that official documents are public property. Supporting the petition are individuals such as Lewis Hanks, president of the American Historical Association; Gerald Ham, president of the Society of American Archivists, and James MacGregor Burns, political science professor at Williams College.

[From the New York Times, Aug. 18, 1974]

THE PRESIDENT'S PAPERS

By James Reston

WASHINGTON, Aug. 15.—One of these days the moving vans will be backing up to the White House and carting off all of President Nixon's personal and official papers to San Clemente, Calif. This is the way it has been since the beginning of the Republic: By tradition, which now has the force of law, the departing President decides which papers he wants to take away, and they are regarded as his "private property."

This means that these papers, which are the memory of the nation, are very largely under the control of the departing President and his heirs, who can edit them selectively, or even destroy them, or under the will of the President upon his death, arrange to conceal their contents for as long as he chooses.

Nevertheless, the principle that Presidential papers "belong" to the departing President and can be trucked away, and disposed of as he and succeeding generations of his family see fit, raises some awkward questions.

For example, the White House has just announced that all the tape recordings of Mr. Nixon's conversations, those published and those still secret, are his "personal property." Is he, therefore, free to lock up the still-secret White House tapes for a hundred years, like the Adams papers, or burn them as Warren Harding's widow is reported to have destroyed some of the records of the Harding scandals?

Also, the modern Presidency, since the invention of the transoceanic telephone and the tape recorder, now contains official records of conversations that are vital to an understanding of foreign relations.

President Nixon bugged not only his political "enemies" and members of his own staff, but also his conversations with visiting Presidents and Prime Ministers, without their knowledge. What promises or commitments, if any, did he make to foreign governments in thesse talks, which succeeding Presidents have to recognize? And how will President Ford know what promises were made if the records are under the sole control of Mr. Nixon?

It is important to be clear about what is not at issue here. The question is not whether the departing President has a right to the records of his Administration—of course he has—but whether he has the sole right to take them away under his own and his family's control, without at least leaving behind copies.

In some cases he does have this right. For example, in his private correspondence about appointing members of his Cabinet or members of the Supreme Court, there will undoubtedly be letters opposing his appointments on the ground that his nominees were drunkards or womanizers. This could be inaccurate, vindictive gossip, harmful to the characters of the people concerned, so obviously the President has the right and duty to edit out scurrilous personal attacks.

But issues of policy, official conversations with other heads of government, tapes of conversations that produced the first resignation of an American President, are quite different. These have to do with the history of the country, and should not be entirely under the control of the departing President.

Since Franklin Roosevelt, the papers of the Presidents have gone back to memorial libraries in their home towns, and the system has worked very well. The libraries have been built by the financial contributions of their friends and supporters. They have been maintained by the Federal Government, which has paid professional librarians and archivists, who have organized, copied, computerized, and in the Lyndon B. Johnson Library in Austin, Tex., even captured the voice and pictures of the departed President.

The way things are now at San Clemente, what students and scholars see and hear depends entirely on what the departed President and his family, not only in this, but in the next and succeeding generations, want them to hear. It is all up to him and his heirs to decide: To turn the record over to the national archives, to leave the whole record to history and succeeding generations or to edit it, or fiddle with it, or burn it.

Nothing in the law obliges Mr. Nixon to turn all his papers over to the Federal archives and let the Government maintain a Nixon library in San Clemente. By tradition and present law he can keep them to himself and turn them over in his will to his children and grandchildren. They are his "personal property," as things now stand, and, on the record, nobody is full of trust about what he will do.

The chances are that, like the Presidents from Roosevelt to Kennedy and Johnson, he will want that library in San Clemente, and submit to the vague rules of what papers now belong to him and what really belong to the nation, and from his point of view, it's a good deal.

Giving the President all the papers he wants to take home is okay, letting him and his family control them, and exploit them is understandable, but in the end they are not really personal papers or private property. They are the record and memory of the nation, and should be preserved in the original or by copies for that purpose.

[An article in the American Archivists, April, 1974]

PUBLIC OWNERSHIP OF THE PAPERS OF PUBLIC OFFICIALS

(By F. Gerald Ham, president of the Society of American Archivists)

In all of American archival history, no affair has raised so many issues of fundamental concern to the archival profession as has Watergate. Several of these issues will be examined at the annual meeting in Toronto in a session on "Watergate: The Archivist and the Public Interest." Briefly, I want to focus on a basic issue arising from the $576,000 tax deduction for President Nixon's donation of his vice-presidential papers to the National Archives: that is, who owns or should own the papers of the President and other elected and appointed government officials? These records, as a former SAA president points out, were "created for and paid for by you and me, the citizens of the United States." Prior to the release of information from Nixon's income tax returns, the question of who owns the papers of the President and other public officials, according to H. G. Jones, was of concern only to a "tiny fraternity of ineffective archivists." And even among our profession, there is heated and fundamental disagreement about what constitutes public records and about the wisdom of statutorily designating as public records the papers of presidents, governors, and congressmen. Some archivists, including this one, essentially agree with Jones when he argues that what is produced on government time, at government expense, and for a government purpose, is a public record. "The key," in Jones's opinion, "is whether the papers were developed for a government purpose." Articulating a different point of view is Herman Kahn, who labels himself, a pragmatist" in this matter. "I am in favor of whatever system will make the papers of the Presidents most quickly available or scholarly use, and experience indicates that this can most effectively be done by continuing the present pattern in dealing with Presidential papers." Many archivists who share this view would agree with Kahn that it may be as difficult to separate the public records from the private papers of elected officials as it is to separate their governmental functions from their political sensitive material, and, consequently, with the integrity of the papers, the "pragmatists" believe that legislation will only create additional and unnecessary problems.

The press does—and I suspect the populace would—find these arguments unconvincing. Rather they would make certain that never again will a President make the arrogant statement: "I'll be glad to have the papers back, and I'll pay the tax because I think they're worth more [than the deduction claimed]." "Clearly," the *New Year Times* editorialized, "there is need for a law expressly establishing the Government's proprietary right to speeches, letters, memorandums and other documents compiled by public officials on Government time and at public expense." Though acknowledging the difficulty, if not the impossibility, of drawing a line between official and nonofficial documents, the *Milwaukee Journal* asserted that "when there's doubt, the public character should prevail." The editorial advocated that "an archival agency should oversee" that determination and should not leave such decisions solely to the departing officeholder.

Aroused by the Nixon tax scandals, Congress may yet take corrective action. Currently there are three bills pending in Congress that would deal directly with the ownership of the papers of public officials. Senate Bill 2951, introduced by Senator Birch Bayh of Indiana, would require the President, vice president, and members of Congress, within 180 days of leaving office, to

deposit in the National Archives that portion of their papers determined by the Administrator of General Services to be "public documents." Identical bills by Representatives Delbert Latta and Tennyson Guyer of Ohio (H.R. 12116 and 12243), now bottled up in the Committee on the Judiciary, which has more pressing work on its hands, would apply to the public papers of "any officer or employee of the United States" and would expressly "prohibit the sale or use for personal gain of such property."

For those archivists who think this issue should be resolved through federal legislation, the Bayh bill is probably the most *promising*. True, the bill has several provisions (as well as omissions) with which most archivists will take issue, particularly the section providing for the deposit of the papers of members of Congress with the National Archives. Provisions and wording of the proposed legislation need to be clarified and modified—but that is not the point. As Senator Bayh stated in a letter to several members of the profession, the underlying purpose of the bill is evident: "to clearly establish in law the public's ownership of the official papers of the President and members of Congress and to provide for their preservation." And the senator solicits our professional opinion. He writes, "I am very much open to suggestions as to how it [the bill] might be improved."

Four years ago in his presidential address, Herman Kahn told his colleagues that one condition of behaving like a professional was involvement with the "larger aspects of the role that archival activity plays in our society." He urged them to consider and to discuss the important issues being publicly debated in connection with the creation, preservation, and use of records. Archivists, do just that.

MEXICAN INDEPENDENCE DAY

Mr. FANNIN. Mr. President, last Monday, September 16, was a day of special significance in Mexico and in our Southwestern States which have close cultural and ethnic ties with Mexico. It was Mexican Independence Day.

During the weekend, fiestas were held around my State of Arizona to celebrate this occasion.

In last Sunday's Arizona Republic, Jack Crowe, one of the finest reporters in the State, described the celebration and gave some of the background which makes this such an important occasion for all persons of Mexican heritage.

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

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

MEXICO'S INDEPENDENCE IS CELEBRATED

(By Jack Crowe)

Mexican history went on parade through central Phoenix Saturday as the Mexican-American community started celebrating Mexican Independence Day with a two-day observance.

Police estimated that 8,000 to 10,000 persons lined the parade route along North Central Avenue and West McDowell to Encanto Park. The celebration continues at the park bandshell from noon to midnight today with entertainment and fiesta booths.

Although there were only about 20 entries, including bands and units from the Arizona National Guard and Luke Air Force Base, the mounted charros, vaqueros and traditionally costumed senoritas effectively told the oft-repeated story of Mexico's struggle for independence.

Glendale residents will observe the day with a similar parade at 10 a.m. today through downtown Glendale and with a fiesta at Rose Lane Park, 51st Avenue and Marlette. Fiesta booths at the park will be open from 5 p.m. to 11:30 p.m. today and all day and evening Monday.

Sal Gonzalez, chairman of the sponsoring Organizaciones Unidas Patrioticas y Culturales, a confederation of 10 Mexican-American organizations, said at least 20,000 persons are expected to attend the Phoenix fiesta during the two days.

The fiesta is officially known as the 16th of September, and it commemorates the first of two annual Mexican independence days. It honors the overthrow of Spanish rule in Mexico in 1821, a struggle sparked on Sept. 16, 1810, by Miguel Hidalgo, a Catholic priest.

Father Hidalgo issued a call to arms on that day in a stirring oration delivered in his little church in the village of Dolores in central Mexico. Known as the "Grito de Dolores," the speech will be re-enacted at 11 p.m. today at Encanto Park Bandshell.

Mexicans celebrate a second independence day known as the Cinco de Mayo on May 5. It commemorates the ouster of the French rule in Mexico, through the puppet emperor Maximillian. That struggle started with a Mexican victory at Puebla on May 5, 1862 and ended in 1867, two years after Maximillian was executed.

"We've had a fiesta before," Gonzalez said, "but they haven't involved as many groups. Next year, we hope to expand the celebration. There are many other Mexican-American organizations and other groups that should be involved."

While the Phoenix parade was composed predominantly of Mexican-costumed participants, the presence of the units from the Arizona National Guard was not without significance to older Mexican-American onlookers.

Mexican-Americans from Arizona formed the bulk of the Arizona National Guard during World War II, when the unit was known as the 158th Regimental Combat Team, nicknamed the Bushmasters.

Gen. Douglas MacArthur termed the Bushmasters "the finest regimental combat team ever deployed for battle." The unit served as his honor guard following U.S. recapture of the Philippines.

VIOLINIST GERALDINE O'GRADY: IRELAND'S MUSICAL AMBASSADOR

Mr. HUMPHREY. Mr. President, the Irish American Cultural Institute, whose international headquarters is in Minnesota, has over the past 10 years become the premier international Irish Organization. Under its annual Irish Fortnight, scholars, musicians, performers and artists are now brought to some 10 U.S. cities each March, giving Americans a new and unprecedented view of Irish civilization and contemporary culture. The IACI's quarterly journal Eire-Ireland is the first new journal of its kind issued under American auspices. And citizens of Minnesota, notably Mr. Patrick Butler and Mrs. Dennis Geaney, are working through the Institute to provide more than $100,000 in literary and artistic awards to artists and writers in Ireland itself. The IACI's inspiring founder and President is Dr. Eoin McKiernan, a resident of St. Paul.

On January 18, 1975, the institute will celebrate its 10th anniversary with a dinner dance in New York City, with HSH Princess Grace of Monaco, the IACI's international chairman, as honored guest.

Another element of the institute's program has recently been the cosponsorship of the U.S. Air Force Band's annual St. Patrick's Day Concert in Constitution Hall, Washington, D.C. Both in 1973 and 1974, over 4,000 persons jammed this hall to hear Irish musicians and music.

Musical ambassadors are among the finest ambassadors of any nation, and in 1973 and 1974 the IACI has, through the work of Dr. Frank Gannon, introduced some of the finest Irish classical talent into several of our principal cities: San Francisco, Boston, Newark, and Washington, D.C.

The most distinguished of these Irish performing ambassadors on the internatonal musical scene today is violinist Geraldine O'Grady. On May 31, 1974, Miss O'Grady was soloist in works of Beethoven and Saint Saens for Arthur Fiedler and his famous Pops Orchestra Symphony Hall in Boston. On November 12, 1974, Geraldine O'Grady returns to New York City to perform for the Irish American Historical Society's annual dinner, the major Irish event of 1974 in New York.

Geraldine O'Grady has truly become the musical ambassador between Ireland and America today. Knowing of the great personal interest of members of this body in Irish culture today, I include at this point additional information on Miss O'Grady.

Mr. President, I ask unanimous consent that a review of Geraldine O'Grady's musical accomplishments be included in the RECORD.

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

GERALDINE O'GRADY

For Ireland and beyond her native shores, violinist Geraldine O'Grady is to instrumental music what John McCormack was to song: a brilliant exponent of both classical and Irish music. A distinguished performer in the entire classical repertoire, Miss O'Grady's style also personifies the authentic reflection of Ireland's sensibilities and musical tradition.

At sixteen she had won all the major violin awards in Ireland and then graduated, after further years of study, from the Conservatoire National Superieur de Paris where an international jury unanimously awarded her the honor of Premier Prix and First Place. This was a rare tribute for a foreign national, and previous recipients of the prize included Fritz Kreister and Jacques Thibaud. Miss O'Grady also won three special prizes: Prix Sarasote, Prix Milanova, and Prix Christine Nilson.

Since then Geraldine O'Grady has toured most European countries and Brazil, performing solo recitals accompanied by pianists such as Carol Zecchi, Fritz Jank, Havelock Nelson, and Charles Lynch, as well as soloing under many conductors, including Sir Charles Groves (English), Tibor Paul (Hungarian), Francesco Mander (Italian), Carol Zecchi (Italian), Albert Rosen (Czech.), Franz-Paul Decker (German), Tauno Hannikainen (Finnish), Maurice Miles (English), and Milan Horvat (Yugoslavian).

For a four-year period, Miss O'Grady also served as leader (concert-master) of Ireland's Radio Telefis Eireann Symphony Orchestra, at that point one of three women holding this post in a major symphony. Her capacities in this demanding role were

highly lauded by leading conductors, including Igor Stravinsky, Constantin Silvestre, and Hans Schmidt Isserstedt.

"The name O'Grady in Ireland is like the name Redgrave in England or Barrymore in America, but the O'Gradys are musicians," commented The Washington Evening Star, in describing Miss O'Grady and her three well-known musical sisters: Elly (piano), Sheila (violin), and Moya (cello). Under the label of The Geraldine O'Grady Ensemble, O'Grady family performances are a regular feature of the Irish musical and television landscape.

Beyond her concert performances, Geraldine O'Grady has also served as a professor at the Royal Irish Academy of Music. She has played on BBC radio and television, Paris radio, American radio in principal cities, Radio Hilversum, Vatican radio, Telefis Eireann, and Brazil television.

With the cooperation of the United States Air Force Band, the Irish American Cultural Institute (with international headquarters in St. Paul, Minnesota) and Aer Lingus—Irish Air Lines of North America, Geraldine O'Grady made her first American tour in 1973–74, performing in principal halls in San Francisco, California; St. Paul, Minnesota; Newark, New Jersey; and Washington, D.C. In the American capital, Miss O'Grady's concert drew 4,000 persons to Constitution Hall, the first solo performance by an Irish musician in this national auditorium.

Miss O'Grady's much acclaimed American tour ended in Boston with solo performance of works by Beethoven and Saint-Saens with the Boston Pops Orchestra in Symphony Hall under the baton of maestro Arthur Fiedler.

Geraldine O'Grady's recitals, soundly based on Bach, Beethoven, and Brahms, and covering all major violin music up to contemporary composers, have been praised for their sensibility, intelligence, warmth of feeling, and lovely singing tone. She is making a special contribution to international music by including the works of contemporary Irish composers such as E. J. Moeran, A. J. Potter, Seoirse Bodley, James Wilson, Brian Boydell, and T. C. Kelly in her standard repertoire.

By commissioning and performing special violin arrangements of ancient and well-known Irish airs, Miss O'Grady has also carved out for herself, according to Irish musical authority Ciaran MacMathuna, an island in the sea of traditional music, bringing a "grace and a sensitivity to these airs which will attract a very wide audience both inside and outside the world of traditional music." She has been recorded on the sound track for the film "Ryan's Daughter" and her EMI recordings of Irish airs, accompanied by pianist-harpist, Elly O'Grady, have made her a household word in Ireland and especially to a growing and appreciative American audience.

SENATOR THURMOND'S STATEMENTS ON AMNESTY AND NIXON PARDON

Mr. HELMS. Mr. President, I feel that our colleagues will be interested in recent statements by the distinguished Senator from South Carolina (Mr. THURMOND) relating to two controversial issues now on the minds of the American people.

As always, the Senator from South Carolina has stated his position cogently and forthrightly.

On September 9, Senator THURMOND commented on the pardon of former President Nixon. A week later, his statement concerned President's announcement that a Clemency Board was being established for draft dodgers and draft evaders.

I ask unanimous consent, Mr. President, that these two statements be printed in the RECORD.

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

STATEMENT BY SENATOR STROM THURMOND (R-SC) CONCERNING THE PARDON GRANTED TO FORMER PRESIDENT RICHARD M. NIXON BY PRESIDENT GERALD R. FORD

SEPTEMBER 9, 1974.

The actions of President Ford in granting, under his Constitutional powers, a full pardon to former President Nixon, was proper and in the interest of the country.

I feel a majority of the people in the United States wanted neither the prosecution nor the imprisonment of Mr. Nixon, as they feel he has already suffered enough, especially in view of the nature of the offense with which he was charged. A trial of our former President would have certainly perpetrated divisions among the people and President's pardon should hasten the end of this national controversy. Prudence would suggest a national acceptance of the President's action.

It is my hope that President Ford's act of mercy to Mr. Nixon will be recognized by all Americans as an appropriate conclusion to this tragic situation.

STATEMENT BY SENATOR STROM THURMOND (R-SC) REGARDING PRESIDENT FORD'S EXECUTIVE ORDER CONCERNING AMNESTY

SEPTEMBER 16, 1974.

Today President Ford, pursuant to the Constitution, signed an executive order creating a Clemency Board of nine prominent citizens to make recommendations for conditional amnesty for those who evaded service in the Vietnam War.

This board will review, on a case by case basis, applications for amnesty, and is authorized to recommend the imposition of alternative service for up to 24 months. The act of President Ford is not subject to review by the Congress.

My position has always been to oppose the granting of a general amnesty to draft dodgers and service deserters. It is not only unjust to those who served their country when called, but it would make it difficult to maintain unity and would encourage similar action in future crises.

I have great respect for President Ford, but I disagree with his action in adopting a general policy of leniency to those who refused to serve their country in time of war.

ELIOT JANEWAY'S ANTI-INFLATION PROPOSALS

Mr. ALLEN. Mr. President, as the time approaches for the President's economic summit meeting and as the Congress considers measures to stabilize the economy and bring inflation in check, the world-renowned economist, Eliot Janeway, has made interesting suggestions as to traps to avoid and affirmative actions that should be taken. These suggestions by Mr. Janeway are contained in an article by him appearing in newspapers across the country during the week of September 9, 1974. The Los Angeles Times carried Mr. Janeway's article on the editorial page and I ask unanimous consent that this article be printed in the RECORD for the information of Members of the Senate and House and for the public in general.

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

[From the Los Angeles Times, Sept. 9, 1974]

WHAT IS TO BE DONE ABOUT INFLATION?—JANEWAY: SIX TRAILS FOR THE PRESIDENT TO BLAZE

(By Eliot Janeway)

No realist can fairly fault President Ford about his sense of direction on the money front. He's on the right road when he commits himself to reducing the inflationary load of federal borrowing on the credit reservoir. But everyone within hearing distance of the time-bomb of bankruptcy—now ticking worldwide—is anxious to see him move more quickly.

No one clued in to the danger of big borrowers going bad, not only overseas but in this country as well, thinks that time will favor the side of solvency—until the White House starts moving full speed ahead to shore up the world's splintering credit structure.

Spotting traps is easier than blazing trails, and until the White House gets specific about the proposals summarized below, here are four traps that face President Ford:

Trap 1: Wage-Price Controls—Wage-price controls make no sense, least of all as an affirmation of faith in the ability of free-market forces to restabilize the U.S. economy, especially in a world unstabilized by anti-American cartels. Mr. Ford is right to steer clear of this trap because another go at purely domestic wage-price controls would be foredoomed in the absence of simpler, more practical controls on U.S. foreign trade. Adopting these would ease the pressure for domestic controls. Eliminating causes is always sounder than coping with consequences.

Trap 2: Gold Ownership—Delaying the effective date of the act that allows private ownership of gold is a "must" so long as we are suffering from runaway interest rates, if a run on bank deposits is to be avoided. President Ford found the bill on his desk and signed it. I have discussed the need for a presidential request for a congressional stay with Rep. Wilbur D. Mills (D-Ark.), chairman of the House Ways and Means Committee, and he agreed that the crisis of illiquidity calls for it and that Congress would grant it.

Trap 3: Foreign Trade—Delaying the pending bill liberalizing foreign trade is necessary for two reasons: First, to avoid having red faces in the White House when the Administration restricts exports of scarce feed grains (as it will be forced to do); and, second, to soften up the bargaining stances of trading partners whose initiatives are urgently needed to defuse the danger of major bankruptcies in Britain and Italy (bankruptcies now threatening to trigger a worldwide crash).

Trap 4: Public Service Jobs—Going slow on those easily given commitments for federal funds to provide public service jobs at the local level as insurance for a "soft landing" against the recessionary consequences of the money squeeze would be prudent politically as well as fiscally. It's a new twist for liberal Democratic mayors to be against getting federal payroll cash because they have to come up with the also-necessary fringe-benefit money from their own taxpayers. Relying on more public employment when inflation is a problem is like cooling off in the fire when the frying pan is sizzling. Reversing the pressures responsible for intolerable interest rates would eliminate the pressure for public employment, as it would for wage-price controls.

On the positive side, six trails are long overdue for blazing:

Trial 1: Federal Borrowing—The need for cutbacks in federal borrowing cuts across the spent-tax controversy. The Nixon administration was skimming liquidity off the

national credit reservoir at a rate of $100 billion a year. A 50% cutback in federal borrowing is a "must" if interest rates are to be brought back within tolerable limits. Foreign giveaways are the place to begin. A Hoover-type commission auditing the cost-benefit ratio to America of all government dollar outflows—country by country, dollar by dollar—is the way to do it.

Trail 2: Feed Grains—The need for giving U.S. feeders of animals, poultry and fish first crack at America's unique feed grain reservoir cuts across the arguments over domestic controls and trade liberalization. Priority *allocations* for American feeders will lower food costs in this country. It will also give Washington the muscle needed to club oil prices down. The Arab oil gougers are now more dependent on U.S. agripower than the United States now is on Arab petropower.

Trail 3: Tax Credits—The need for tax credits for bottlenecked industries is being blocked by arguments over equity for labor, agriculture and consumers. Cutting back interest, food and fuel costs, as suggested above, would free this Republican Administration to ask this Democratic Congress for selective tax credits to break bottlenecks in time to save jobs now jeopardized in the basic industries which, at present, are running out of supplies faster than customers.

Trail 4: Help for Banks—The spectacle of U.S. banks paying up to 25% for overnight money they are relending for much less calls for replenishing the ammunition of the Federal Deposit Insurance Corp. Raising the FDIC's insurance charges on deposits is one way to do it. Authorizing it to insure foreign deposits in U.S. banks up to $1 million for one year is another. (This is an action that would bring in massive injections of liquidity from abroad, spread it all around the country and force interest rates down.) Freeing savings and loan institutions to pay the going rate of 12% plus on insured deposits of $20,000 or less is another way to do it. Enacting the S&L proposal authorizing swaps of below-market mortgages for local government bonds that pay the same rate would free billions more for housing than federal aid could—and at interest rates brought down to levels that builders and buyers could afford. Bringing interest rates down is easier than trying to help housing with interest rates so high.

Trail 5: Help for Wall St.—Saving the stock market from its own 1929 of deflation-amid-inflation calls for getting the Securities and Exchange Commission off its crusade against fixed commissions; for cutting capital gains tax rates on vintage holdings; and for liberalizing deductions for capital losses against ordinary income. I favor liberalizing the bill sponsored by Sen. Lloyd Bentsen (D-Tex.) which offers a $4,000 deduction. I would supplement it by requiring investors claiming losses of more than $25,000 in any one year to use part of their tax savings for the purchase of five-year Treasuries.

Trail 6: Action Abroad—Saving Europe from stumbling into another 1929 for everyone calls for moving full steam ahead on Chairman Mills' depression defense schedule. He has made an urgent call for Germany, her European partners and Japan to use their massive dollar reserves to tide Britain and Italy over in their growing need for financial oxygen. This approach recognizes the vulnerability of America's multinational banks and businesses to hard knocks from tumbling overseas dominoes. It also assumes that Mr. Ford will bring America's bargaining power to bear on the powers abroad before their weaknesses knock our financial structure for a loop.

Rep. Mills went public with his appeal to Germany and America's other foreign clients to have Britain and Italy the day after he saw Mr. Ford in private. His approach puts Mr. Ford's foreign financial problems at the top of America's emergency agenda—including her emergency budgetary agenda: Government borrowing for foreign boondoggles is the borrowing to cut first. This same aproach calls for freeing the secretary of the treasury to function as the equal of the secretary of state on the financial front.

I agree with Rep. Mills, especially with his recommendation that Treasury Secretary William E. Simon be given the mandate to begin. Simon's recognition of the need—and the opportunity—to use American food supplies as the weapon to knock down Arab oil prices qualifies him for it.

QUESTIONABLE PRACTICES BY FHA LENDERS IN CHICAGO?

Mr. PERCY. Mr. President, the Chicago Tribune reports that John Waner, the director of the Chicago area office of the Department of Housing and Urban Development has turned up evidence of questionable practices in the handling of FHA-insured mortgages by lending institutions in the Chicago metropolitan area.

According to the Tribune report, the data Mr. Waner has collected and analyzed suggest that low-income families are the victims of a pattern of hasty foreclosure of Government-backed mortgages. Lending institutions collect the FHA insurance for the full value of the mortgages and at the same time pocket money the Federal Government gives to the institution to maintain the foreclosed property. This practice, in turn, contributes to neighborhood deterioration.

Mr. President, I have been aware of Mr. Waner's efforts to build and use a computerized data retrieval system to obtain a fuller picture of FHA mortgage activity in the Chicago area. I believe the Tribune report suggests the vast potential of this system for identifying problem areas and for improving the management of FHA programs.

Probably the full story has not yet been told. We do not know all the facts and we have not heard from all the parties. If fraud and abuse in FHA programs exist in the Chicago area or elsewhere, then they must be rooted out. If changes in the law are required to end these abuses, then I am sure the Congress will enact these changes quickly.

I commend Mr. Waner and his staff as well as the Chicago Tribune for bringing this story to the public's attention. I urge them to make the full story known as soon as possible.

I ask unanimous consent that the article from the Chicago Tribune headlined "HUD Official Charges Home Loan Cheating" be printed in the RECORD.

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

[From the Chicago Tribune]

HUD OFFICIAL CHARGES HOME LOAN CHEATING

Some financial institutions are cheating the federal government and needlessly forcing low income families out of their homes, John Waner, federal housing chief here, has charged.

Waner, Chicago area director for Department of Housing and Urban Development, said he uncovered both schemes during a recent computer study of federally-insured home mortgages here.

Though the study is still in progress, Waner said he believes the operations are nationwide in scope and involve millions of dollars in federal funds.

He said a number of large savings and loan associations and mortgage companies appear to be involved.

Here is the way Waner said the schemes work:

First, cash-hungry lending institutions go out of their way to foreclose their government-backed mortgages so they can collect immediately the money from the U. S. treasury and loan it out again.

Then, after forcing families from their homes, the institutions collect money from the federal government to maintain the abandoned houses, but pocket the money rather than provide the maintenance.

Waner said the over-quick foreclosures violate federal mortgage guidelines and could result in the lenders being suspended from participation in federal housing programs.

He said pocketing maintenance money is possible fraud and could result in criminal charges. It also causes abandoned house that lead to deterioration of neighborhoods.

Waner said his findings have been forwarded to James T. Lynn, the secretary the U.S. Department of Housing and Urban Development, and Sheldon Lubar, Federal Housing Authority commissioner, in Washington. A nationwide probe is in the planning stages.

FHA guidelines require lending institutions to make special efforts to avoid foreclosing on government-backed home mortgages.

When a foreclosure occurs the government provides funds to the lender to maintain the house until a new buyer is found or until HUD can take over the building.

Waner said in these tight-money times the safety of a government-backed mortgage is what attracts unscrupulous lenders. If they foreclose, they get their money back immediately rather than in 20 years or more as if the mortgage were in force.

Waner said the victims are usually low income, inexperienced home owners who lack the knowledge and resources to defend themselves.

To illustrate how much money could be involved, HUD officials said that since the home loan program began in 1940, the federal government has insured 8.9 million mortgages worth more than $104 billion. In the Chicago area alone there have been 372,841 federally insured mortgages worth $4.4 billion.

Waner said that in the Chicago area only about 4,500 FHA-insured mortgages are in default and subject for foreclosure. But his studies show that in many of these cases lenders are moving much too quickly to foreclose.

In every instance the wedge is the homeowners' failure to meet a mortgage payment.

But Waner said he found that many lenders are far less understanding toward defaults by homeowners with FHA-insured mortgages than they are of those with conventional financing.

One man, two months behind in his $200-a-month payments, was turned down when he mailed the institution a $400 check to cover the debt.

The institution returned the check with a curt letter informing the man that he now owed $420—$20 to cover a penalty for late payments.

A few weeks later, when the financially strapped homeowner mailed a check for $420 the institution returned it telling him that the penalty was now $40.

Waner and others point out that the final decision whether to issue a mortgage loan is up to the lending institution. If the lender doesn't consider the buyer a good risk he can refuse the loan.

But, they add that once agreeing to a federally-insured mortgage the lender is expected to follow the rules and do as much as possible to help the home owner retain his property. The fact that the mortgage is backed by the federal government should encourage the lender to take more financial risks than usual.

Concerned by the computerized findings, Waner recently sent letters to dozens of Chicago area lending institutions reminding them of HUD rules.

One rule states that lenders "are expected to make a concerted effort to avoid the foreclosure or assignment of HUD-insured mortgages and to utilize acceptable methods of forebearance relief wherever feasible."

The rules also urge the lenders to counsel the homeowners, whenever possible, make allowances for missed payments due to illness or temporary joblessness, and to permit owners to sell the property if it becomes clear they will never be able to keep up with their mortgage payments.

PREDATORY RATE CUTTING

Mr. INOUYE. Mr. President, on October 12, 1973, I introduced S. 2576, a bill to provide for minimum rate provisions for nonnational carriers in the foreign commerce of the United States. Subsequently, on December 6, 1973, hearings were held before the Merchant Marine Subcommittee of the Senate Commerce Committee. Representatives of the Government and shipping industry testified in support of this legislation. This bill is intended to prevent steamship companies of third flags plying between the other nations, from cutting rates unreasonably and destroying the tranquility of the trade. The bill generally would provide that such third-flag carriers may not reduce their rates below the national flag rate for the same commodity in the trade unless the new rates are fully compensatory. At the time of the introduction of this bill, the situation was serious, and it has become even more so. Because of the exigencies of the situation in the Congress today, it may not be possible before the Congress adjourns to enact this particular legislation into law.

However, I wish to make very clear to those who are engaging in predatory rate cutting, that congressional inaction on this bill should not be misconstrued. The Congress simply may lack sufficient time because of the election campaign and the political upheavals this year to give the legislation adequate attention.

If the bill does not pass in this session, I shall make it my first order of business in the next session to move for enactment of this legislation into law so that the American flag carriers operating under our laws would at least have a fair chance of remaining competitive in our own foreign trade.

PROGRESS BY STATES NOTED

Mr. BROCK. Mr. President, James J. Kilpatrick, one of the Nation's most eminent journalists, has written a timely article which suggests that the tide of political power may at last be turning, and flowing from Washington back to the States and localities where, indeed, it belongs.

Referring to a book recently published by the National Governors' Conference, entitled "Innovations in State Government," Mr. Kilpatrick cites encouraging examples of State and local initiatives in solving the complex problems of our society today.

I firmly believe that the task of assigning priorities in spending belongs in the hands of State and local officials, who are closest to our people and their problems. Such leadership is to be applauded and encouraged, for we are much in need of it today.

Mr. President, I ask unanimous consent that this article be printed in the RECORD for all of my colleagues to see.

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

PROGRESS BY STATES NOTED

(By James J. Kilpatrick)

"It may be . . . that we are approaching a watershed point in the history of American government. For the past hundred years, political power has flowed from the states and localities toward Washington. Possibly, just possibly, that flow may be ebbing and turning.

"Granted, it seems unlikely. When one looks at the calendar of pending bills in Congress, there is little to suggest that the federal flood has crested. Proposals still are floating around for national health insurance, national no-fault auto insurance, national consumer protection, and all the rest. Federal land-use guidelines are not dead; they are sleeping.

"Yet a book has just come to hand, so encouraging and so persuasive, that a dispirited states righter may well take heart. The book is 'Innovations in State Government,' published by the National Governors' Conference. It advances the proposition, on behalf of the states, that for any student of government, this is where the action is.

"Surely this is where much of the action was meant to be. The Constitution makes it clear—explicitly in the Tenth Amendment, implicitly throughout the document—that the national government was to have responsibility only for truly national concerns. Everything else was to be left to the states respectively, or to the people. The thesis of federalism, as Alabama's Gov. George C. Wallace observes, is that 'officials closer to the people and their problems were better informed and better equipped to assign priorities on expenditures of funds than were congressmen and bureaucrats in far-off Washington.'

"Look at the record: While the federal bureaucracy flounders in the morass of public welfare. Such states as California and New York are fighting clear of the swamp. North Carolina is doing good things in rural health. Alabama is working boldly in rural water supplies.

"One of our most pressing social problems has to do with the needs of elderly persons. It is not the federal government, but the state of Pennsylvania, that is providing leadership in this field. Pennsylvania's statewide program of free offpeak transportation for the aged is a humble program, but it has great human value.

". . . Wyoming instituted certain land-use regulations, especially as to open-cut mining, in 1969. Vermont in 1970 embarked upon a plan of district environmental commissions, coupled with an ingenious scheme of tax relief. Oregon is pioneering with anti-litter laws, Hawaii with scenic preservation. Nevada has created 25 natural resources districts based upon river systems. Colorado's ambitious land-use program seeks to maintain an indigenous 'quality of life.' Florida is issuing land conservation bonds. Montana, North Dakota, Maine and Kentucky all are moving ahead in the regulation and conservation of energy resources. The catalog of state innovations goes on and on.

"In an introduction to the book, Washington's Gov. Daniel J. Evans inserts a proper word of caution. Some of the innovations 'are quite modest or limited, others may prove overfly ambitious or hopeful, some may not stand the test of time.' Right on! This is what federalism is all about. Our 50 state houses are so many crucibles for the compounding and testing of experiments in government. We must let these lively laboratories do their job."

THE ROLE OF GEN. ALEXANDER HAIG IN THE NIXON ADMINISTRATION

Mr. PROXMIRE. Mr. President, I have asked Gen. Alexander Haig to voluntarily appear before the Senate Armed Services Committee to clear the air before assuming his post as Supreme Allied Commander Europe.

Regardless of the legal dispute as to whether or not General Haig is required to submit himself for Senate confirmation, he should voluntarily seek out such hearings in order to answer questions and clear the air about his role in the Nixon administration, his military career, and the post to which he has been appointed by the President.

I call on him to make this expression of good faith and not hide behind any narrow interpretation of Army regulations.

The post of Supreme Allied Commander Europe, and his previous role as White House Chief of Staff, have focussed great public attention on General Haig. He would serve the country and Congress well by responding in an open and candid manner by coming before the Senate Armed Services Committee in open session.

Mr. President, a number of other Senators have told me that they would like to see hearings on General Haig's appointment. Yesterday, the distinguished assistant majority leader made a public statement that General Haig should appear before the Armed Services Commitee. I would also like to report that Senators MCGOVERN, ABOUREZK, WEICKER, HUGHES, KENNEDY, SYMINGTON, CLARK, METZENBAUM, and TUNNEY have joined me in calling for General Haig to come before the Senate.

A New York Times editorial from September 18 addresses the question of the separation of military and political careers. This has been my primary concern in the General Haig appointment. If other officers are led to believe that a successful career depends upon political service to one party or the other, then we are not far from a breakdown in the American system of civilian control.

Mr. President, I ask unanimous consent that the New York Times editorial be printed in the RECORD.

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

RECYCLING GENERAL HAIG

In the face of considerable opposition in this country and abroad, President Ford has proceeded with the appointment of Gen.

Alexander M. Haig Jr. as Supreme Allied Commander in Europe as well as commander of United States Forces in Europe.

The most serious objection to General Haig in this new role is not that he has never held a major Army field command, nor that he was catapulted over 240 general officers when President Nixon abruptly raised him to four-star rank and named him vice chief of staff of the Army in 1972, nor that he has had little experience of dealing with America's allies in Europe. Indeed, even his critics concede that General Haig is a man of high intelligence and outstanding administrative talents.

What raises such serious questions about the appointment is the fact that it will further blur the vital dividing line between political and military authority. General Haig once again dons his uniform and returns to active duty, only seventeen months after making the deliberate decision to resign his commission and retire from the Army in order to serve in the White House in a position that incredibly placed him in the center of President Nixon's political struggle for survival.

During those months, as the Watergate case against the President was moving to its inexorable conclusion, General Haig became more and more Mr. Nixon's protector and defender and, on occasion, his hatchet man as well. His leading part in the so-called Saturday night massacre last October that brought the abrupt departures from office of the Attorney General, his deputy and the special Watergate prosecutor will not soon be forgotten.

General Haig unquestionably played a useful role in persuading Mr. Nixon to resign last month and in easing the transition to President Ford's Administration. Yet, reports persist—despite his direct denials—that he was a major influence in bringing Mr. Ford to the premature unconditional pardon of Mr. Nixon.

The issue, however, is not General Haig's role or position on any particular occasion or issue; the crucial point is the wisdom of a policy that permits him now to go back on his decision of June, 1973, to leave the military—to wear Army stars again and act as though this "civilian" interlude had meant no change whatsoever.

In a world full of examples of the folly of military ascendancy over civilian authority and in a country presumably dedicated to the principle of civilian control over men in uniform, the resurrection of the military career of Alexander Haig is a blunder President Ford should have been alerted by his advisers to avoid.

PETITIONS FROM THE STATE OF ILLINOIS

Mr. PERCY. Mr. President, I ask unanimous consent to have printed in the RECORD at this point four petitions from the State of Illinois.

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

HOUSE RESOLUTION 985

Whereas, The Congress and the President of the United States have enacted a change in the observance of Memorial Day to the last Monday of May; and

Whereas, The State of Illinois for one year followed the example of the United States government in celebrating Memorial Day on a floating Monday; and

Whereas, In their wisdom, the General Assembly and the Governor of the State of Illinois in 1973 enacted a statute returning the observance of Memorial Day to the traditional day, May 30, in Illinois; and

Whereas, It is the sense of this body that the celebration of a holiday on a fixed date encourages the recognition by the citizenry of the reason and basis for the holiday and that its celebration on a floating "long weekend" basis encourages the casual treatment of holidays as mere "days off work"; and

Whereas, The artificial creation of long weekends annually results in unnecessary loss of lives on the nations' highways because of the convenience of travel; and

Whereas, It is the sense of this body, as illustrated by its action in 1973, that holidays should be regarded as commemorations and not as "days off work" to be linked whenever possible to weekends; and

Whereas, A great deal of confusion reigns among Illinois citizens with respect to the observance of Memorial Day; and

Whereas, Memorial Day is a holiday of great importance to all Americans, as we commemorate our valiant servicemen who have given their lives that we may remain a free people; now, therefore be it

Resolved, By the House of Representatives of the Seventy-eighth General Assembly of the State of Illinois, that we do memorialize the Congress and the President of the United States of America to enact a law calling for the annual observance of Memorial Day on May 30; and, be it further

Resolved, That a copy of this preamble and resolution be transmitted by the Office of the Secretary of State to the President of the United States and to the members of the Illinois delegation to the United States Congress.

HOUSE RESOLUTION 821

Whereas, There is now pending in the Congress of the United States proposed legislation to amend the 1965 Immigration and Naturalization Act; and

Whereas, The State of Illinois and the United States have been enriched by the significant contributions of immigrants to their cultural, social, economic and spiritual growth; and

Whereas, The 1965 Immigration and Naturalization Act has severely limited the immigration of nationals of Austria, Belgium, Britain, Finland, France, Germany, Ireland, the Netherlands and Sweden into the United States; and

Whereas, This Act has had adverse effect upon the number of persons from these European nations who are allowed to settle in the United States permanently, and particularly hard-hit are the peoples of Germany and Ireland; and

Whereas, The United States and the State of Illinois have ample reason to remember with gratitude the past and present contributions of its immigrants, particularly those of the European nations; and

Whereas, Congress has before it S. 2634, H.R. 4452, and H.R. 4983, each of which would remedy this situation and make U.S. immigration policy fair and equitable for all peoples, without increasing the total number of persons allowed to enter and remain each year; therefore, be it

Resolved, By the House of Representatives of the Seventy-eighth General Assembly of the State of Illinois, that we strongly urge the passage of legislation designed to correct inequities of the 1965 Immigration and Naturalization Act; and, be it further

Resolved, That the Secretary of State of Illinois be directed to transmit to each member of the Delegation of the State of Illinois to the Congress of the United States a copy of this preamble and resolution.

HOUSE JOINT RESOLUTION 102

Whereas, The United States Supreme Court has struck down a 70 year old Massachusetts law that made it a crime to treat the U.S. Flag with contempt because the court ruled the law was unconstitutionally vague—the case involved a defendant who was wearing a 4 x 6 inch flag sewn on the seat of his pants; and

Whereas, Several other cases of flag desecration are pending before the U.S. Supreme Court which will probably be decided similarly because our U.S. Flag Code needs revision to update it, so that the general public, and even Legionaires and military men, know how to honor our revered National symbol, and know what action will constitute error in honoring our country's flag, or constitute its dishonor or desecration; therefore, be it

Resolved, By the House of Representatives of the Seventy-eighth General Assembly of the State of Illinois, the Senate concurring herein, that it is the sense of this body that the Congress take action to revise and update our U.S. Flag Code to the end that the National symbol of our beloved country for which hundreds of thousands of valiant Americans have died and millions who love their country live and fervently revere, be not dishonored or desecrated with impunity because of the vagueness or ambiguity of our U.S. Flag Code; and, be it further

Resolved, That a suitable copy of this preamble and resolution be forwarded by the Secretary of State to the Chairman of the U.S. Senate Judiciary Subcommittee where Senate Joint Resolution 91 on the U.S. Flag Code updating is being held, and to each member of the Illinois delegation in Congress.

H. RES. 1037

Whereas, Certain railroads are attempting, by petition to regulatory agencies, to abandon various lines which serve many smaller communities in this State; and

Whereas, These lines, for which abandonment is contemplated, are the lifeblood of many smaller communities, and the only economical means of moving certain supplies to the farmer and taking his produce to market; and

Whereas, Many smaller communities, attempting to preserve their existence and way of life, are trying to attract industry, and a lack of rail transportation to and from these communities would cripple or kill that effort; and

Whereas, Greater demand for Illinois coal may bring a Renaissance to many areas of this State, benefitting its inhabitants by increased employment and tax revenues, and the entire Nation by providing a source of energy safe from the threat of embargo and blockade, and much of this coal can be transported economically only along the rail lines which the companies are attempting to abandon; therefore, be it

Resolved, By the House of Representatives of the Seventy-eighth General Assembly of the State of Illinois, that we place ourselves on record as opposed to the abandonment of these vital rail lines; and, be it further

Resolved, That the Secretary of State forward a copy of this Resolution to each member of the Illinois delegation in the Congress of the United States and to the Honorable Claude S. Brinegar, Secretary of Transportation of the United States.

IN SEARCH OF ANSWERS TO THE ENERGY PRICE CRISIS

Mr. HART. Mr. President, the work of the Subcommittee on Multinational Corporations of the Foreign Relations Committee, chaired by Senator FRANK CHURCH, has been most helpful to those of us who have been searching for answers to the energy price crisis. The subcommittee's work on the structure of the international petroleum industry, the history of antitrust enforcement and the

lack of it and the nature of the intercompany arrangements among major oil companies has given the Senate a factual record from which a case for remedial action can be made.

Although its work on the oil industry has received the greatest amount of public attention in recent months, Senator CHURCH's subcommittee has had other accomplishments and has a number of other important projects underway. Its work on the Overseas Private Investment Corporation focused public attention on the questionable role of the Federal Government as the insurer of corporate activities abroad and its hearings on investment in the Eastern European countries focused attention on the role of the company in negotiations on behalf of the United States with foreign governments. A report and recommendations on the petroleum industry, an investigation of multinational banking and case studies of American investment in a number of lesser developed countries are all expected.

Two recent articles which summarize the work of the subcommittee and examine the issues which its investigations have raised have recently appeared in The New Republic and The Nation. The articles are well written and deserve wide attention. Mr. President, I ask unanimous consent that "Taming the Beast: The Multinationals," by David Ignatius which appeared in the September 14, 1974, issue of The New Republic and "Socialism for the Rich" by Representative LES ASPIN which appeared in the September 14, 1974, issue of The Nation be printed in the RECORD.

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

TAMING THE BEAST: THE MULTINATIONALS

(By David Ignatius)

In May 1972 the Senate Foreign Relations Committee—jarred by Jack Anderson's revelation of ITT efforts to sabotage the 1970 Chilean presidential election—voted to establish a new subcommittee under Sen. Frank Church (D, Idaho) to investigate the activities of multinational corporations. Having the ITT-Chile affair as the starting point for a probe of such an immense, forbidding topic was a mixed blessing. The facts assembled on the corporation's conspiratorial alliance with the CIA to protect ITT's $160 million Chilean investment forced the five senators on the subcommittee to take seriously the threat multinational corporations pose to American foreign policy. But if it implied that the world has not changed much since the days of Teddy Roosevelt, the ITT-Chile case was misleading.

Even in the relatively clear-cut ITT case, there were anomalies suggesting that however threatening the power of multinational corporations, the problems that arise from their control of about one-third of all international trade will not be solved easily. One of these anomalies is an ITT memo, buried among scores of others published by the subcommittee as an appendix to its hearings, describing a meeting on March 10, 1971 between ITT Senior Vice President (and now President) Tim Dunleavy and Chile's late President Allende to discuss the future of ITT's Chilean holdings. Most of the time was taken up with exploratory bargaining, but after about an hour of subtle threats and counterthreats, Allende turned to Dunleavy and floated a new business proposition:

[Allende] said he had invented something which would indicate an incoming phone call while a person was speaking on the telephone. He suggested ITT might wish to develop it—but, he said, he wanted royalties. Dunleavy said we would be pleased to take a look at it.

The discovery that even socialist Salvadore Allende was not immune to the lure of multinational business must have persuaded the Church subcommittee of the complexity of its task.

Two years after completing its ITT investigation, the subcommittee is still at work, piecing together the first systematic public critique of American overseas investment. Following ITT came an examination of government insurance of foreign investment through the Overseas Private Investment Corporation (OPIC) and a general debate over "who benefits" from multinational investment. Then, in the midst of the energy crisis, the subcommittee began a study of the major oil companies. Most recently it has focused on the role of US corporations in détente. Reading through the thousands of pages of testimony and evidence that have been gathered is disturbing because it substantiates charges against the corporations *and* explodes simplistic theories of multinational enterprise. Are the multinationals neo-imperialist agents of American capitalism? If so, then why did the oil companies help the Arabs manage their 1973 oil embargo against the US and agree to oil price rises that threaten the monetary stability of the capitalist world?

Are they instead enlightened servants of economic development? If so then why do UN and World Bank figures show that income distribution has failed to improve significantly in less-developed countries favored with multinational investment? Are the multinationals private enterprise? If so why do they demand, and receive, US tax foreign policy? If not then why do they have sole responsibility for highly strategic negotiations in the Middle East and the Soviet Union? And if they are acting on behalf of the US, then why aren't they regulated more closely in the public interest? Prodded by these questions, the subcommittee is building a case for a reorientation of American economic policy abroad as far-reaching as the critique of American military policy that has resulted from the Vietnam war.

The investigation of the Overseas Private Investment Corporation (OPIC) was a natural follow-up to the ITT-Chile hearings, for there was evidence that ITT had tried to use its OPIC expropriation insurance as a club to beat the US government into action against Allende. A statement by former CIA Director and current ITT Director John McCone particularly intrigued the subcommittee:

"I feel that our government should be alerted to the consequences of the [Chilean] election, not only because of its effect on the business interests, but also because of its effect on the taxpayer. Because there were, you know, several hundred million dollars of OPIC guarantees, of which approximately $100 million were ITT's."

How did the government and the US taxpayer come to have a vested interest in defending the investment of ITT and other corporations? The story of OPIC tells a lot about American foreign policy since World War II. Established in 1969, OPIC inherited the "political risk" insurance policies—covering expropriation, war and inconvertibility of currency—which had been written for corporate customers during the Marshall Plan and later under AID. It also inherited the ideology of global economic development through American investment which had sustained these earlier programs. In the simplest terms OPIC's ideological premise has been that American investment abroad is good for the United States and good for the foreign countries—and should therefore be underwritten by the US government. All three assumptions were challenged in the Church hearings.

The five senators were most concerned with the benefits of OPIC-insured investment for the United States. From OPIC and corporate witnesses, they heard the traditional arguments for investment overseas; it returns profits that aid our balance of payments; it develops new markets for American goods; and it promotes a climate of international stability and free trade serving American economic and political interests. Against these asserted benefits, other witnesses weighed the costs of overseas investment. Former Treasury Department tax counsel Stanford G. Ross noted that because of provisions in the Internal Revenue Code for foreign tax credits, loss carry-over and deferral of foreign income, multinationals receive indirect tax subsidies and are a drain on the US Treasury. In a colloquy with Ross, Sen. Clifford P. Case (R, NJ), the ranking Republican, established that because tax laws allow *credits* for foreign income taxes, but only *deductions* for domestic state and local taxes, there is "a very sizable tax benefit on the company that chooses to build a plant in Mexico rather than in New Jersey."

The AFL-CIO has strongly criticized such tax incentives for foreign investment, arguing that they are "eroding the industrial base" at home. Voicing the AFL-CIO line, Benjamin A. Sharman of the International Association of Machinists told the subcommittee that multinationals are exporting jobs abroad to "open shop" countries, where the absence of labor unions guarantees low wage rates. By insuring direct investment in these countries, Sharman said, OPIC is fostering union busting—hardly in the interest of American trade union members. Critics also questioned whether OPIC really serves the US business community. For example Boston University Business School Dean Peter P. Gabriel suggested that OPIC may be governed by a Catch-22 logic. He testified that "the terms and conditions which host countries find increasingly difficult to accept are precisely the ones OPIC insures: the ownership rights associated with direct investment. . . ." By fostering unregulated direct investment, OPIC increases nationalistic feeling, resentment of US companies and the very political risks it is writing insurance against.

If the benefits to the US of OPIC-insured multinational investment are mixed at best, what of the multinational "white man's burden?" Are OPIC's clients speeding economic progress in the Third World?" A number of witnesses testified that while the multinationals may provide jobs and stimulate GNP growth, they do not invariably contribute to real economic development. Rather, in the words of *Fortune* magazine, by expanding its operations across national frontiers, "the corporation finds multiplying opportunities to buy cheap and sell dear . . ."—often to the detriment of host countries. To take one example, a witness from Motorola described his company's OPIC-insured innovation in the production of electric components. Motorola now air-freights millions of partially manufactured semiconductors to Korea, where the manual assembly is completed by Koreans—mostly unmarried women between 17 and 21 who want to build a dowry. The finished semiconductors are then air-freighted back to the US. Including fringe benefits the women receive a wage equivalent to about 21 cents per hour. Because its capital investment in the Korean operation is limited, Motorola probably would relocate if Korean unions were able to force wages up. Meanwhile Korea—with OPIC's blessing—develops expertise in finishing partially manufactured semiconductors.

The evidence against OPIC was persuasive, and Sen. Church—who describes himself as

a believer in old-fashioned free enterprise—drafted legislation to phase out OPIC over a seven-year period and turn its functions over to private insurance companies. Paradoxically profit considerations might force private insurance companies to accomplish some of the progressive goals to which OPIC is nominally committed. For unlike OPIC, private insurers would insist on strict actuarial principles for underwriting foreign investment. Premiums for "bad risks"—a hypothetical example would be an ITT copper mine in Indonesia—would be prohibitive. Thus the market would establish a strong incentive for corporate responsibility. The Church proposal sounded like the "invisible hand" of capitalism at work. But after a strong lobbying campaign from those with an interest in the survival of OPIC—its employees and the multinationals that receive its subsidized insurance—the Church bill was defeated and OPIC was funded for another three years.

Oil companies are a special case among multinational corporations, even in their use of the English language. Corporate newspeak—as in the employment of the term "free market" to designate oligopolistic, tax-subsidized enterprise—has found its most articulate expression in the mouths of oil industry executives. Meeting in the crisis atmosphere of January 1974, the Church subcommittee began an attempt to cut through the jargon to an understanding of the role of the major oil companies in the Middle East. The story they have pieced together, in the view of subcommittee Associate Counsel Jack Blum, "has elements of a Greek tragedy."

The tragic flaw in the drama has been the collusion of the US government in policies of the oil companies that were moving the world inexorably toward the present energy crisis. Page after page of testimony confirms that the Organization of Petroleum Exporting Countries (OPEC) cartel—and the enormous threat it now poses to international political and economic stability—is the almost inevitable result of anti-competitive production and marketing tactics pursued by the major oil companies, with the endorsement of the US, for the last 50 years. For the producers the oil problem has always been a potential oversupply that might erode profits. The oil private cartel of companies, fixing prices and rationing supply, has given way to a cartel of governments—and the "oil weapon."

The story of the oil cartel has been kicking around the Justice Department since 1952, when a criminal case was initiated against Exxon, Mobil, SoCal, Texaco and Gulf. The cartel criminal investigation was shelved the next year, in the interests of "national security." But the evidence remains. It shows, in the words of David I. Haberman, a Justice Department lawyer who has spent most of his working life in a vain attempt to enforce the antitrust laws against the oil companies, how the companies became "a vast corporate government without portfolio." Haberman laid out the basic history of the cartel for the subcommittee. Following World War I the major American and British companies expected an oil shortage and expanded their foreign exploration and production, particularly in the Middle East.

But by the late 1920s rapid exploitation of new reserves had created a desperate fear of a glut on the market. So much oil was being produced abroad that the US Gulf Coast "posted price"—in effect the optimal monopoly price—was being undermined. In 1927 the excess oil had fueled a price war in India that threatened to spread to Europe. In 1928 the largest international companies met in secret to establish a cartel for mutual protection of the oligopoly. In the "Red Line" and "Achnacarry" agreements, they promised to work together to hold production and marketing at levels that would not disturb the "posted price." New cartel agreements in '30, '32, '34 and '39 tightened the clamp on competition.

A new crisis developed in the 1950s, however, and by the time it had run its course, the power of the oil cartel—symbolized by the "posted price"—had been transferred to the Arabs. Like earlier crises, this was one of oversupply.

Discovery of new reserves in the Middle East, entrance of oil-hungry "independent" U.S. companies and demands from Arab sheiks for increased revenues were combining to produce a new glut that threatened to drive prices down. With the blessing of the U.S. government the majors developed two new mechanisms for holding down production: increased royalties, in the form of "taxes" to Arab governments, which swelled the sheiks' revenues while offsetting the oil companies' US taxes; and rationing systems such as "aggregate programmed quality" (APQ) in Iran, through which the majors designate how much oil would be drawn out of the ground by the various consortia operating in the Middle East. Even with these innovations, the problem of oversupply persisted into the 1960s. Howard W. Page, a retired Exxon troubleshooter in the Middle East (who has been described as "the Kissinger of the oil industry") testified that "all during the 1960s," Exxon's major problem was having more oil than it could market at acceptable prices. Sen. Charles Percy (R, Ill.) elicited from Page a striking admission of Exxon's dilemma in playing off its various Middle Eastern sources of supply.

Sen. PERCY. If you had been using the production capacity [of all reserves] up to the fullest extent, obviously it would have driven prices down considerably.

Mr. PAGE. . . . I mean if we had used any one [country's reserves] to capacity, then we would have to shut the other back. There was no place to go with it. You can't dump it in the sea. There's a law against it.

As Page and others told the story, it became clear that the majors' attempts to play off the Arabs—holding each country's production at an acceptable level—had finally pushed the Arabs toward formation of their own cartel. By controlling and drastically increasing the posted price, the Arabs were able to gain the increased revenues they wanted without having to plead with the companies to favor them with quicker exploitation of reserves. They also gained the ability to use oil as a political weapon. With the Yom Kippur war, the traditional political arguments used by the oil companies to justify exemption from US antitrust laws were put to a severe test. For decades the companies have claimed that they should be given a free hand in the Middle East because American management of oil production would give the US enormous strategic leverage in the event of a crisis. When the crisis finally came in October 1973, where were the oil companies? The Church subcommittee found that far from working to circumvent the oil embargo, these American companies helped the Arabs to administer it, making sure that no oil leaked out to the US. Moreover in negotiating with the Arabs over increases in the "posted price"—potentially far more damaging to the US than the embargo—the companies had no economic incentive to restrain the Arab demands. In fact the companies' profits have increased in almost direct proportion with the "posted price." Most remarkable of all is that at the same time the oil companies were allied with the Arabs to defeat the strategic interests of the US, they were harvesting tax subsidies.

Outwitting the Internal Revenue Service is a major preoccupation of the multinational oil companies. Recently the subcommittee got hold of a financial planning document prepared by one of the major companies. The document—in effect a tax "game plan"— shows how, in the words of the staffer who is now at work analyzing it, "the company handles US tax liability and what it does to minimize that liability." This may be a major investigative breakthrough, since the industry's manipulation of transfer prices, loss carry-over, revenue deferral and other accounting devices has been so complicated that few people outside the industry understand how the companies keep their books. But the general public has understood the end result of all the calculations: the bottom line of the oil company tax returns. In 1972, with the standard corporate tax rate at 48 percent of profits, the effective rate for Gulf was 1.2 percent; for Mobil, 1.3 percent; for Texaco, 1.7 percent; for SoCal, 2.5 percent; and for Exxon, 6.5 percent.

These pitiful contributions to the US Treasury are the most obvious area for reform. A drastic solution would be to abolish the present credit for foreign taxes and instead allow only deductions. This proposal has, in fact, been endorsed by the AFL-CIO, to a chorus of denunciation from multinational executives. The executives claim that without credit for foreign tax payments, their companies would have to pay a double tax rate (Bertram Witham, treasurer of IBM, estimates that without a credit IBM's total tax bill would be over 70 percent of revenue) and would thus be unable to compete with foreign corporations. Short of abolishing the tax credit, Sen. Church has proposed a 10 percent minimum tax on foreign source income similar to the minimum tax now in effect for personal income. This would strike hard at the oil companies, and it has failed to generate much congressional support.

The implications of the oil probe—with its emphasis on oversupply rather than shortage—are staggering, and the subcommittee is still debating other possible reforms of the multinational petroleum companies. Two ideas may be endorsed when the staff completes its final report on the hearings: new regulations requiring the companies to get US government approval for contracts negotiated with foreign governments; and new antitrust legislation aimed at breaking up the cartel system of joint production ventures among the major companies. Given the size and power of the companies, such fundamental reforms may be politically unrealistic. Worse, they may be economically meaningless. As a committee assistant notes: "The size and complexity of the industry is such that any remedy will present serious difficulties in implementation. It's not completely clear what we do now. How do you unravel history?"

In its investigation of the role of multinationals in détente, the Church subcommittee deepened its understanding of the power of corporations to adapt to historical trends in diplomacy and shape them to their own purposes. The subcommittee confronted the new pro-Soviet lobby of former anti-Communist businessmen turned open-door free-traders.

One of their spokesmen, Donald Kendall, president of Pepsico and chairman of the US/USSR Trade and Economic Council, argued that if Congress spends any more time worrying about the fate of Soviet dissidents, "we are going to end up sitting on the sidelines watching the French and the Germans and British and everyone else take the business." Kendall began his business activity in the Soviet Union at the 1959 Moscow Trade Fair, alongside then Vice President Nixon and Soviet Premier Nikita Khrushchev. Since then Kendall has continued to expand the market for his product. The latest recruit to the "Pepsi generation" is Soviet Premier Kosygin, who personally approved Pepsico's 10-year contract to market Pepsi in the Soviet Union and distribute Russian vodka in the U.S.

While hardly ushering in a new era of international relations, the exchange of "Pepski" and vodka is harmless enough. What concerns the Church subcommittee is the delegattion to American businessmen of responsibility for trade negotiations with important political and economic ramifications. The Russians don't seem to mind.

As Sen. Church noted during the hearings, "American capitalists have special status in the Soviet Union. . . ." But the catastrophic domestic effects of the wheat deal of 1972 show the problems inherent when private companies—interested only in maximum profits—negotiate with Soviet officials who have both economic and political objectives. In his testimony J. Fred Bucy, executive vice president of Texas Instruments, gave an example of what trading with the Soviets may do to the electronics industry. The Soviets badly want the advanced technology used in the manufacture of semiconductors. Currently this technology is controlled by about 100 small semiconductor companies. Bucy described how a small company losing money could make a handsome profit selling the technology to the Soviets.

While the company would benefit from the deal, it might cripple the industry, since the Soviets could mass produce semiconductors and flood the world market. Bucy testified that the Soviets are often tougher negotiators than American capitalists, and specialize in the "whipsaw"—by which they play off one company against another to gain maximum concessions. To cope with the "whipsaw" and other potential problems of détente, Sen. Church is considering legislation to expand US ability to regulate export agreements.

The détente debate crystallizes a theme that runs through each of the subcommittee's investigations: The transfer of responsibility for key economic and political decisions from the public sector to the private. As the multinational corporations have moved to exploit business opportunities and coordinate planning across national borders, the Western democracies have failed to keep pace. The volume and complexity of business activity has overwhelmed the regulatory capacity of any single country, including the United States.

The reason for this disjunction between an expansive, adaptive private sector and a lethargic, befuddled public sector is fairly obvious. Despite their immense size, the multinationals remain responsible to a small number of managers and directors, and are able to measure their business decisions against one yardstick of economic efficiency: achievement of a satisfactory rate of profit. Democratic governments, on the other hand, are responsible to millions of voters and must balance multiple economic, social and political interests in deciding on policies. As a result the governments are hamstrung, and more and more key decisions are passing by default to the neo-feudal realm of the multinational corporations.

Ultimately regulation of the multinationals will depend on the development of multinational political institutions. But as the Church subcommittee has discovered, there is a lot that can be done while waiting for world government. The most immediate task is to gather information, for the arrogance of the multinationals in large part stems from the fact that they alone understand how their business is transacted—and who pays and who benefits. To gain the information needed for fundamental reform of the corporations, Sen. Church will conduct at least two more years of investigation. There will be a study of international banking, examining the role of multinational corporations in the current monetary instability. There will also be case studies of multinational investment is Brazil and Mexico. Some 300 firms trading in these two countries have already been sent detailed questionnaires. There may also be case studies of the Philippines, Indonesia and Malaysia.

But information alone will not be enough. There is a long list of substantive reforms that would assert badly needed political limits on the swollen power of the corporations. The most important ideas being considered by the subcommittee are: reform of the corporate income tax system; establishment of new regulatory bodies to monitor and control US-based corporations; new antitrust initiatives; new incentives for contractual operations abroad, rather than direct investment; and the creation of public enterprises to compete with and oversee private enterprises. Enactment of any one of these reforms would require a political resolve to discipline business in the public interest that is rarely displayed. But as Church presses forward with his investigation, the possibility of such a confrontation increases.

The lines of battle were drawn early by Emilio G. Collado, executive vice president of Exxon, the world's largest corporation. In an ominous warning to the subcommittee, Collado spoke of the determination of Exxon to block unwanted meddling from the public sector:

We have not given up by a long shot. We have the international logistics system. Someone may take it away from us, but we have it today. No government oil company has ever found a major oil find. No one in government ever drilled at 3000 feet of water. . . . Maybe someday, the governments will get all the expertise and we will be pushed out. But we have it today.

SOCIALISM FOR THE RICH

(By Representative LES ASPIN)

WASHINGTON.—OPIC, the Overseas Private Investment Corporation, is a sterling example of a program of socialism for the rich. It sells cut-rate insurance to multinational corporations to protect their overseas investments. Founded in 1969 as a so-called independent government corporation, OPIC now carries $9.1 billion worth of insurance to protect multinational corporations from foreign expropriation, revolution and war, and possible restriction on the convertibility of foreign currency into dollars. Expropriation insurance, which was previously administered by the Agency for International Development (AID), accounts for $3.3 billion of OPIC's insurance coverage.

OPIC is backed by the "full faith and credit of the government of the United States," which means that the American taxpayer conceivably could be asked to cough up the entire $3.3 billion if governments around the world suddenly decided to expropriate all insured OPIC investments The American people could also be forced to pay the full $9.1 billion to ITT and others if all insured U.S. investments overseas were lost at one time.

A group of Senate and House conferees met recently to consider what should be done about this dubious insurance company. The Senate wanted to order a phaseout of all OPIC's expropriation insurance by 1979, turning it over to private hands, while the House sought only to encourage the phase-out. In the traditional spirit of compromise, the conferees did order the expropriation insurance ended by 1979, but with the caveat that the proposed dropping of OPIC insurance "will be reviewed in the light of OPIC's actual experience during 1975 through 1977."

OPIC claims that it is financially solvent and is a self-sustaining entity that should, in the future, cost the taxpayer nothing. Officials say the premiums and fees collected by the agency totaled $207.8 million and disbursements have been only $46.3 million, leaving an excess reserve fund of $161.5 million.

But the Foreign Relations Subcommittee on Western Hemisphere Affairs, of which Sen. Frank Church is chairman, reported last February to the full Senate that, "by ordinary financial standards, OPIC is on the brink of insolvency. If OPIC were a private insurance company, under generally accepted accounting principles it would have had to set aside a reserve against outstanding claims This reserve would have likely reduced OPIC's available resources to a negative figure."

According to Church's subcommittee, if OPIC honestly calculated its total reserves, minus total outstanding claims, including a $92.5 million claim by ITT for its holdings in Chile and another $152 million claim by Anaconda Copper for expropriated Chilean mines, the corporation would be in the red to the tune of $227.4 million. Since OPIC is backed by the full faith and credit of the U.S. Government, that $227.4 million would come out of the taxpayers' hide to pay off such malevolent giants as ITT and Anaconda.

The reason why OPIC is in trouble politically, however, has little to do with its financial condition. Many conservative lawmakers, including Sen. Harry F. Byrd, Jr. (Ind., Va.), oppose OPIC because they think it wrong for the government to subsidize any insurance program. The conservative "less government the better" attitude is reinforced by many Congressmen who are tired of supporting any program that looks even remotely like "foreign aid." Now, this more traditional opposition is being reinforced by some liberals and radicals who view such programs more as a mechanism of U.S. political manipulation than as assistance to the impoverished masses.

Many labor-oriented members of Congress, such as Rep. John Dent (D., Pa.), have expressed concern that OPIC only accelerates the process of job exportation by making it safer for U.S. industry to move capital and operations overseas. The General Accounting Office, the Congressional watchdog agency, which studied OPIC for the Church subcommittee, found that OPIC never bothered to check whether certain insurance policies were being extended to so-called "runaway industries." For instance, the GAO investigators learned that "OPIC insurance coverage for investment in electronic industry includes a high percent of projects that are primarily exported to the United States." The U.S. taxpayer subsidized expropriation insurance for companies that manufactured TV sets, radios, phonographs and electronic components for eventual sale in the United States. These insurance policies take a double bite out of the American workers—they subsidize insurance with their tax money so that giant multinational corporations can export their jobs!

But of all the problems, the one that bothers the liberals the most is that OPIC insurance programs increase the likelihood that the United States will become embroiled in the internal affairs of the countries where OPIC policyholders have investments. OPIC's coverage of ITT and Anaconda in Chile is one example. Another is OPIC's $500 million insurance policy on various bauxite holdings in Jamaica.

Former U.S. Ambassador to Jamaica, Vincent De Roulet, admitted to Church's subcommittee that he felt a heightened responsibility to make sure that Jamaican Government policy was favorable toward the U.S.-owned bauxite industry, since OPIC had a $500 million commitment to Jamaica backed by the "full faith and credit of the United States."

DeRoulet frankly conceded to the subcommittee that in 1972 he attempted to convince the leaders of Jamaica's two leading parties not to make the 100 per cent ownership of Jamaica's bauxite and aluminum industry a key political question in parliamentary elections. DeRoulet approached centrist

Michael Manley, the ultimate victor, to persuade him to keep the bauxite question out of the election. DeRoulet acknowledged that "I told him that I was prepared to give him my commitment as a gentleman ... in exchange for these commitments from him ... we would not, repeat not, interfere in his election in any way...."

John M. McCoy, a former director of the CIA and a director of ITT, told Church's subcommittee that he cited the Treasury's liability via OPIC-insured investment in Chile as an important justification for intervention in the 1970 Chilean elections. Similarly, former U.S. Ambassador to Chile Edward Korry warned Washington that the perils of an Allende election included the high cost to the Treasury of any Chilean expropriation.

Jamaica and Chile are not isolated examples. Officials in Taiwan told a visiting Senate investigator that they believe that continued U.S. support was virtually guaranteed by the existence of OPIC-insured investments and the continued willingness of OPIC to underwrite U.S. economic ventures on the island.

One of the casualties of the debate over OPIC's future may have been the traditional assumption that overseas investment automatically helps a country to develop. Testimony on OPIC projects show that too often they have been aimed at capital intensive industries, when the development process would be better served by labor intensive enterprises which create jobs. Sean Gervasi, an economic consultant to the U.N., told the Church subcommittee that capital investments typified by OPIC-insured ventures tend to make the already rich in the less developed countries richer while the vast majority of the population sinks deeper into poverty.

Gervasi's assertion is substantiated by Robert S. McNamara, president of the World Bank, who told the U.N. conference on trade and development on April 14, 1972, that Brazil, a country which has attracted a large amount of foreign investment (much of it OPIC-insured), and achieved a high growth rate, has seen "the share of national income received by the poorest 40 per cent of the population decline from 10 per cent of the national income in 1960 to 8 per cent in 1970." At the same time the richest 5 per cent increased their share of the wealth from 29 per cent to 38 per cent of the national income. McNamara concluded that "throughout the decade the poorest 40 percent of the population benefited only marginally" from massive foreign investment.

In addition to insuring multinational corporations' overseas investments, OPIC makes low-interest, so-called development loans for specific projects. OPIC has established a $40 million fund to make direct loans, with interest rates based on OPIC estimates of the risk involved and allowing five to fifteen years for repayment. In fiscal year 1973, OPIC made commitments on nine projects worth $14 million.

Surprisingly, one of OPIC's favorite ventures for direct development loans are luxury hotels. For instance, in 1971 OPIC floated a $415,000 loan to finance a new jet-set watering hole in Haiti. Haiti is Latin America's poorest country with a per capita income of $78 *per year*. Rooms at the hotel—the Habitation Le Clerc—cost $150 *per day*. So it seems the hotel will not be used much by the average Haitian and it is also doubtful that the project will benefit the overall economy very substantially. Profits will be almost entirely repatriated to the United States.

One recent visitor to Haiti reported that the hotel project was "another stupid error on the part of our government to aid underdeveloped countries." The late Harry Sions, a respected senior editor at Little, Brown & Co., who visited the new hotel last January, noted, "We had not imagined it could be so unwise, so insensitive to the real needs of the Haitian people. The place itself is outlandishly vulgar and almost defies description . . . the appeal to the so-called beautiful people, purple-passioned in concept and corny enough to embarrass any self-respecting American, much less anyone else."

Mr. Sions adds, "Let's forget about the service—which was dreadful; the food—which was atrocious; the cost—which was ridiculous; the location—which was one of the most slum-ridden and the most difficult to reach sections of Port-au-Prince. But most important seems to me is the cost of the hotel of $1.2 million, of which we were told 40 per cent was borne by the U.S. taxpayers."

In short, the whole OPIC program looks like a real stinker. This program of socialism for the rich merely increases the probability that the United States will become involved in the internal affairs of other countries while offering but marginal benefit to the vast majority of impoverished people living in the Third World. The government should not be an insurer of multinational corporations that operate overseas. The unhappy outcome of this policy has been little help for the poor abroad and more foreign policy headaches for us.

NEEDED: CAMPAIGN REFORM, NOT CAMPAIGN SPEECHES

Mr. BROCK. Mr. President, if there is one thing that this country needs in the aftermath of the last 2 years of daily revelations of campaign irregularities, it is good and true campaign reform. We in the Senate have passed two major reform bills, S. 372, passed in the summer of 1973, and S. 3044, passed this spring. The House acted on our bills this summer and, as you know, there is now a conference going on to iron out the differences.

There are many, many differences between the House and Senate bills. However, there are also major similarities and in the spirit of political compromise and because the congressional year is coming to a close, I heartily recommend that we get on with campaign reform.

At the same time, I want to issue a very strong warning. We today are acutely aware of what has become known as the confidence crisis, that gap between the people and Congress called trust and integrity. What we must guard against is allowing ourselves to approve a campaign reform measure which would perpetuate the advantages that are afforded an incumbent candidate, in fact, an incumbent's protection law.

First, Mr. President, I would like to address myself to two major areas that both the House and Senate have agreed upon in campaign reform, areas which I think can be passed quickly. These areas are: The nonpartisan election control board to enforce the regulations; the use of single repositories to eliminate the multitudinous campaign committees that have been used in the past to hide or launder money.

First, the election supervisory board. As the law now stands, elections are policed by three bodies, the Clerk of the House of Representatives, the Secretary of the Senate for Senators, and the Comptroller General for Presidential elections. Besides the inefficiency of having three separate bodies to do essentially the same job, the argument is rightly made that having the Secretary of the Senate police Senators or the Clerk of the House to police Representatives poses obvious potential for conflict. The Clerk of the House, Pat Jennings, and the Secretary of the Senate, Frank Valeo, are extremely honorable men, but the fact remains they are employees of the people they are supposed to police, and this puts an intolerable burden on these two fine gentlemen. Therefore, it is fitting and proper that we have an independent agency. Both the House and Senate agree to this concept, and the minor differences could be easily ironed out and a bill passed.

Second, the single repository is endorsed to eliminate all the "committees". I am particularly proud that this provision is in both the House and Senate versions of the bill, because it is the cornerstone of my own bill which I first announced in May of 1973. The provision would make enforcing and policing the laws much, much easier, and is in keeping with my own campaign reform philosophy of "full and open disclosure."

Mr. President, these are not by any means minor reforms. These are extremely significant ones that we could proudly take back to our constituents. And, they are reforms that could be passed by both Houses of Congress and signed by the President within 2 weeks, if we really wanted meaningful reform. That still remains a major question.

Apparently, the problem that is holding up the conferees is the question of public financing with very low limits on challengers. There are proposed ceilings of $60,000 on challengers in House races.

Mr. President, with that low a ceiling, such legislation could be no more than a measure to virtually insure an incumbent's reelection—simply because of the advantages that his office affords him, name recognition, free mail privileges, and so on. Public financing is, according to many learned scholars and journalists, the biggest boon for incumbents that has ever appeared on either floor of Congress. One scholar has estimated that the incumbent's advantage over a 2-year period in monetary terms comes to around three-quarters of a million dollars. Given equal amounts of money, especially equal low amounts, such as the suggested $60,000 in the House bill, a challenger simply would be overwhelmed. We must guard against provisions that turn campaign reform into incumbents' protection laws. I have tried to curb one incumbent's advantage by adding an amendment to the Senate bill forbidding the use of the frank for 60 days, prior to elections, and, although this was accepted by the Senate, the House version of the bill does not have this provision. I think that this is an important amendment, and should be included. Under any circumstances, if public financing is passed, it becomes imperative that provisions like my prohibition on franking during campaign periods be passed.

In short, Mr. President, what this country needs now is meaningful campaign reform, not another incumbent protection act. We could have this if the major provisions I have suggested are re-

ported out immediately. I hope the conferees will pass campaign reform. I do not care to have a crisis of confidence hanging over Congress and the Nation like a pall.

PRESIDENT MAKES RIGHT DECISION ON PAN AM

Mr. PROXMIRE. Mr. President, when President Ford decided not to assist Pan Am with a bail-out of $10.2 million a month, he reaffirmed belief in the free market system. We have had too many bail-out precedents in recent years. It was beginning to appear that every major corporation in financial difficulty looked first to the Federal Government for a handout.

Now that chain has been broken, and I hope, for good.

It must be admitted that many of Pan Am's problems were not of its own making. But that is not to overlook those critical financial factors that were caused by Pan Am's management.

With unprofitable routes, high overhead, rapid changes in top management, and simple bad forecasting, Pan Am must share the burden of responsibility with the uncontrollable element of fuel prices.

Pan Am is not finished. The recommendations by the Secretary of Transportation, when coupled with tough management policies by the company itself, could lift Pan Am out of its financial distress or at least open up new lines of commercial credit.

I hope that the Civil Aeronautics Board will now move swiftly to take corrective action throughout the airline system—realining routes, raising fares if necessary, allowing unprofitable schedules to be dropped and generally creating a more energetic, competitive, and profitable international airline system.

Mr. President, I ask unanimous consent that today's Wall Street Journal editorial on Pan Am be printed in the RECORD.

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

PAN AM ON SOLO

President Ford's decision not to help Pan American World Airways out of the soup is a significant one for the relationship between government and private industry. It is not without its risks but it nonetheless seems necessary if a spreading pattern of private dependency on government is to be reversed.

Let us hasten to say that Pan Am's problems stem heavily from factors beyond its control. Its management cannot be blamed for the oil cartel's price-boosting successes, which have raised Pan Am's jet fuel costs an estimated $200 million this year over last. Nor can it be blamed entirely for whatever bruising the airline has taken in the complex politics of international agreements and CAB regulation.

But this is not so much a question of assigning blame as it is a question of finding a viable public policy towards economic reverses suffered by important private concerns. Past public policy, in connection with the threatened collapse of Penn Central, Lockheed and Franklin National, has raised some knotty questions.

One of those questions was touched upon by Transportation Secretary Brinegar yesterday in announcing that the administration would not support Pan Am's request for a new $10.2 million-a-month subsidy from the CAB. Such a subsidy is "not now fair to the nation's taxpayers," he said.

The question of fairness is important, particularly in a political sense. It is not stretching a point too far to say that taxpayers are being asked to help support not just Pan Am's employees, but its bondholders and other creditors, its stockholders, excessive landing fees at foreign airports and even, if you want to carry the argument far enough, those rowdy Arab oil sheiks.

There is a bit more to the problem than that, however. There is also the question of whether the collapse of a large private enterprise poses a substantial risk to the public welfare, or, on the other hand, whether the public welfare would be better served if private managers were faced more often with the necessity of adapting to adversities without benefit of a safety net somewhere beneath.

We have no doubt that the collapse of a Penn Central or a Franklin National or a Pan Am poses certain public risks. The threat is variously posed but probably the most serious is the potential jolt to the nation's banking system. Large troubled companies typically have large amounts of loan paper outstanding and the argument has been made repeatedly that it would be adverse to the public interest to let that amount of paper go sour all at once. In the Penn Central and Lockheed cases there also was the argument that no new operating entity could easily and quickly take over vital functions performed by the endangered firms, specifically, transportation and advance weapons production.

However, that kind of argument can be reversed. It can be argued that when a federal bail-out is fairly likely, private corporations, and banks in particular, do not calculate their risks as narrowly as they should. And when a federal bail-out actually occurs it may impede, rather than foster, a necessary adaptation by the private firms to changed conditions.

This last point may be the most telling in the Pan Am case. It hardly serves the public interest for the CAB to try to shield established carriers by turning down, as the CAB recently did, a British firm that wants to run a cheap airbus across the Atlantic. It is futile to try to subsidize airlines to make up for higher fuel costs, since that simply delays a necessary adaptation. It is economicaly inefficient for a government to encourage loss-producing operations out of some arbitrarily perceived view of convenience and necessity.

These are the kinds of questions that need to be asked in the Pan Am case and others if American taxpayers are not to find themselves some day helping support a vast load of privately based economic inefficiency. The next stage from that phase will be a transfer to state management, which also is likely to be inefficient.

If there is to be pain, it will be better to bear it now than later. And it is not impossible that Pan Am might yet find itself able to solo if it gets rid of some of its excess weight.

HEALTH INSURANCE

Mr. DOLE. Mr. President, in a recent bulletin of Washington Information: National Health Insurance—which I have found to be a very interesting and informative publications—there appeared the report of an interview between the editor of that periodical commentary, Jeffrey Prussin, and Ned Parish, president of the National Association of Blue Shield Plans.

While I do not necessarily endorse the substance of all of Mr. Parish's remarks, I do feel that he expresses some opinions and observations which are worthy of my colleagues' attention. Certainly, national health insurance is still a very timely topic of discussion, and this particular interview relates very well to the major questions associated with the various proposals before us.

I ask unanimous consent, therefore, that the complete text of that article be printed in the RECORD for the benefit of all who are evaluating the merits of this important congressional initiative.

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

NATIONAL HEALTH INSURANCE: SPECIAL REPORT: INTERVIEW WITH NED PARISH

In an exclusive interview, *Ned Parish*, President of the National Association of Blue Shield Plans (NABSP), told *Washington Information: National Health Insurance* editor *Jeff Prussin* that NABSP is not endorsing any particular piece of NHI legislation. Rather, NABSP's "contribution to the NHI issue has taken the form of a position paper which we produced about three years ago at the outset of the discussion. That document has served remarkably well. We moved to update it a short time ago and found that practically no changes, other than timing, were necessary."

CHIP SUPPORTS FREE ENTERPRISE

When asked whether NABSP would choose the Long-Ribicoff catastrophic plan, CHIP, or CNHIA, if forced to choose one without being able to make any amendments, *Parish* replied that NABSP "would have to go with the Administration bill because it relies heavily on the free enterprise system and hereby offers the best system for the public."

The Long-Ribicoff and CNHIA proposals, according to *Parish*, "at best" would leave health insurers in an intermediary role, "and even more important than that, they would rely on Federal financing."

While the private sector has been "far from perfect," it has been "substantially better than anybody else;" and, according to *Parish*, a system in which government would "call all of the shots . . . would be fatal."

CHIP DEDUCTIBLES AND COINSURANCE TOO HIGH

One problem NABSP sees in CHIP are the deductibles and coinsurance features. NABSP would like to see several options offered—such as deductibles, first dollar coverage and HMOs—as "a basis for competition."

GOVERNMENT PARTICIPATION SHOULD BE LIMITED TO THE POOR

While "there is only a relatively small segment of the population that does not have some kind of health care coverage, that is not to say that coverage is all good or anywhere near as good as it should be." Therefore, NABSP would welcome an NHI bill in which financing by the Federal government would be limited to "the areas of the poor, the near poor, and the medically indigent."

FEDERAL STANDARD SETTING ACCEPTABLE

NABSP has also urged passage of an NHI bill which would contain "requirements for insurance that would be applicable to the entire population of the country," if the bill would guarantee that private carriers, who have demonstrated their effectiveness, would stay in the picture.

NHI must specifically permit private insurers to deal with employers and employees as they "have done for the past 30-35 years, thus preserving the collective bargaining process." *The government, for example, should mandate a minimum level of benefits but also provide enough flexibility in order*

to permit implementation of benefits beyond minimum levels of protection, and consistent with what the public needs and wants.

ALTERNATIVE DELIVERY SYSTEMS NEEDED

It is essential that any NHI proposal allow the private sector enough flexibility to develop alternative ways of delivering services. In fact, Blue Shield has sought, and continues to seek, "the right combination" between the consumer, the physician, and the insurer. "Throughout history, Blue Shield has been rather innovative. We are proud of the record of innovation. We started out with 50% coverage for the worker only. . . . The contract today is unrecognizable in comparison to that of twenty years ago."

NHI SHOULD NOT OFFER INCENTIVES FOR ALTERNATIVE DELIVERY SYSTEMS

Parish was particularly opposed, however, to the government prejudging the acceptability of various health delivery systems. He did not "think anyone sould categorically state that one method of delivering health care is better than another for any one subscriber . . . It is everybody's business, however, to make sure that the options are available on an equal basis so that people can make up their own minds." For people to say, for example, that HMOs are "the best and only way to deliver quality medical care at a reasonable cost is nonsense." It is up to the private sector "to see that all the options are available and then to let people decide what they want."

VOLUNTARY ENROLLMENT UNDER NHI SHOULD BE TESTED

According to *Parish*, participation in NHI should be voluntary for the individual. While there will always be "a relatively small number of individuals" who would not elect to accept coverage, this number can be kept to a minimum by making a plan "so attractive that a person would feel compelled to join."

Employers, on the other hand, should be compelled to offer an adequate minimum benefits package under NHI, but should not be required by law to pay the full premium. The government, however, should "hang out an assortment of carrots so that the employer has a very strong incentive to upgrade the benefits package he buys as well as the dollars he pays."

Parish said that a complementary system of carrier regulation will be necessary to assure that whatever choice of carrier programs is made produces an equitable and efficient program.

STATE ADMINISTRATION UNDER FEDERAL GUIDELINES URGED

Administration of NHI, as well as regulation of insurers, should be at the state level, according to *Parish*. However, there should be Federal guidelines which include *"authority for the Federal government to intervene if a state, after a reasonable period of time, fails to implement the program properly."*

MEDICARE BENEFITS EXPANSION NEEDED

When *Parish* had no particular feelings on whether Medicare should or should not be integrated under NHI, he did indicate that "the benefits under Medicare should be substantially upgraded to meet the new level under an NHI plan."

COMPREHENSIVE NHI PLAN WOULD COLLAPSE SYSTEM

Parish emphatically agrees with the concern that a comprehensive National Health Insurance program would hold out false promises in that it would overburden the delivery system. *Parish* cited Senator *Abraham Ribicoff's* (D-Conn) testimony before the House Ways and Means Committee as supporting the position that a *comprehensive NHI program "would collapse, literally collapse, the system."* In addition, to put a comprehensive NHI program under the Social Security Administration, would totally collapse that system. "The difference between paying cash benefits to a group of people, as Social Security does now, and doing a fine job as far as I know, and moving into something as complex as health care, would literally inundate the system. . . . God knows, it would be bad enough for us. We took on Medicare with twenty million people and found out what a job that was."

MINIMUM BENEFITS PACKAGE SHOULD EXCLUDE MENTAL HEALTH, LONG-TERM CARE, DENTAL AND DRUG BENEFITS

The mandated minimum benefits package under NHI should not include preventive services, such as physical examinations, comprehensive mental health services, comprehensive long-term care services, comprehensive dental services, or comprehensive drug benefits, according to *Parish*. Comprehensive mental heatlh and long-term care services, however, might be inclued "under some sort of supplemental shared cost program." The problem with mental health services is the impossibility of estimating the cost. In the case of long-term care, "something needs to be done," but *Parish* believes that "there is not money enough in the world to take care of this one right now. It is a whole new problem and it is something that has to be addressed; but it cannot be addressed at this time." Comprehensive dental services, "while terribly desirable," would be "unrealistically expensive." Indeed, the provision of comprehensive dental care would "close to double the cost of NHI." Drug benefits present a different problem. The small dollar increments represented by drugs cost more to process than to pay. Therefore, "when drug coverage does come in, there is going to be some kind of front end accumulation before bills are paid."

BLUE'S ADMINISTRATIVE COSTS LOW

Parish met head on the claim that administrative costs for private health insurance are unnecessarily high. "We feel very strongly that the private sector's—speaking of the responsible side of the private sector, not talking about fly-by-night mail order houses that peddle some pretty horrible junk to people—record in administration stands up very favorably with anyone's, and particularly with that of the government."

Considering Blue Cross and Blue Shield together, 93–94% of each dollar is paid out in benefits for health care services. Administrative costs are approximately 6.5%. Of the 6.5% total administrative costs, only 1.5% represents marketing costs. More important, however, according to *Parish*, is the fact that only 0.3.1% represents advertising and selling costs. The other 1.19% of the marketing costs is for servicing accounts after they are sold, which is "the kind of work that would have to be done no matter who runs the program. Somebody has to be on the spot to make sure peoples' questions and complaints are handled." Indeed, since there is virtually no "new business" in the health insurance field, the servicing of accounts after they are sold is most important. "Competition, therefore, serves to better the performance of insurers, because if a company is lax, a competitive carrier will take the account away."

CHANCES OF NHI PASSAGE THIS YEAR: LONG-RIBICOFF MOST LIKELY

Parish indicated that there is a possibility of an NHI measure passing Congress in 1974 and that the Long-Ribicoff approach has a better chance than any of the other proposals. However, *"Long-Ribicoff, as it stands cannot get by,"* so modifications would be necessary. *Parish*, however, declined to speculate on the nature of the changes which would have to be made in the Long-Ribicoff proposal before it could pass.

KENTUCKY LOOKS FORWARD TO FURTHER ERTS RESEARCH AND DEVELOPMENT

Mr. MOSS. Mr. President, the Commonwealth of Kentucky has been using ERTS data, on a continuous basis, for 24 months and is actively engaged in the ERTS follow-on investigation program.

Governor Wendell H. Ford has written me:

We are looking forward to furthering research and development in this area, which will provide a system with greater resolution and wider spectral capabilities and which will require less time, manpower, and money for interpretation and application.

Mr. President, I ask unanimous consent that Governor Ford's letter be printed in the RECORD.

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

OFFICE OF THE GOVERNOR,
Frankfort, Ky., July 26,1974.

Hon. FRANK E. MOSS,
Chairman, Committee on Aeronautical and Space Sciences, Washington, D.C.

DEAR SENATOR MOSS: During the past twenty-four months, the Commonwealth of Kentucky's Department for Natural Resources and Environmental Protection has utilized, on a continued basis, data supplied by the existing ERTS system.

The Department has recently been notified that a proposal entitled "A Feasibility Analysis of the Employment of Satellite Data to Monitor and Inspect Surface Mining Operations" has been tentatively selected as one of the investigations for the ERTS Follow-on Investigation as one of the investigations for the ERTS Follow-on Investigation Program. The Department is also conducting a project, funded in part by the Appalachian Regional Commission, which is entitled "Surface Mine Pollution Abatement and Land Use Impact Investigation." ERTS data will be utilized throughout the conduct of that project. The Department is currently investigating the use of the ERTS computer compatible tapes for estimating location and size of small water impoundments. In addition, the University of Kentucky and several other Universities throughout the Commonwealth are utilizing ERTS data in various research and demonstration projects.

At the present time, we are not convinced that the existing ERTS system can be considered operational for routine use in the Commonwealth's program of natural resources management and environmental protection. We are looking forward to furthering research and development in this area, which will provide a system with greater resolution and wider capabilities and which will require less time, manpower, and money for interpretation and application.

If legislation on ERTS operations is to be passed at this time, we would prefer legislation which would enhance the National Aeronautics and Space Administration's operational pervue. This type of legislation would allow the Commonwealth to deal directly with one agency responsible for research, development, and operation of an earth resources survey system. We believe that such an arrangement would make NASA more aware of the needs of user agencies such as the states, and would in turn make the user agencies more aware of the system capabilities.

Thank you for the opportunity to comment on this pending legislation. If I, or any of my staff, can be of further assistance, please do not hesitate to contact us.

Sincerely,

WENDELL FORD.

THE ENERGY SUPPLY

Mr. BARTLETT. Mr. President, my colleagues in the Senate who subscribe to the contention that the supply of energy is directly related to the investment made to provide that supply will be interested in the remarks made by Mr. John G. Winger, vice president, the Chase Manhattan Bank, before the Subcommittee on Governmental Regulations, Senate Select Committee on Small Business, on August 13, 1974.

I ask unanimous consent that Mr. Winger's statement be printed in the RECORD.

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

STATEMENT BY JOHN G. WINGER

Mr. Chairman and members of the subcommittee. My name is John G. Winger. I am a vice president of the Chase Manhattan Bank in New York and am manager of the bank's energy economics division. I have been associated with the bank as an energy economist for the past 25 years. I am appearing before you today to discuss the capital and other financial needs of the petroleum industry.

My testimony will prove more meaningful if two vitally important facts are understood at the outset. First, we should recognize that the satisfaction of virtually all needs for goods and services involves the use of energy. In fact, I cannot think of a single business activity that is not dependent upon energy to some degree. Because of that dependence, as much as 70 percent of all energy consumed in the United States is for business related purposes. And for a long time, there has been a close relationship between the utilization of energy and the nation's gross national product. No significant change in that relationship is now in prospect. We will doubtless be able to become more efficient in our use of energy in the future by limiting waste. But the gains are not likely to be greater than those achieved in the past. Obviously, an adverse economic impact cannot be avoided if our future supply of energy proves inadequate.

And that development would create many social as well as economic problems. The level of employment in the United States is closely tied to the gross national product. If the future expansion of the G.N.P. is slowed because of a lack of energy, the growth of employment will also be slowed. But the Nation's labor force will continue to grow, nevertheless, at a steady rate for many years to come. That is a mathematical certainty. A lack of energy, therefore, can lead to an intolerable level of unemployment. Clearly, it is very much in the best interests of all of us that our supply of energy always be sufficient.

And that leads me to the second important fact that we should keep uppermost in mind. The supply of energy is directly related to the investment made to provide that supply. That principle applies to all forms of energy—oil, natural gas, coal, water power, nuclear power, and the more exotic forms not yet in use. If the expenditures required to find, develop, or otherwise make available a supply of any form of energy are insufficient, a shortage will be the certain consequence no matter how abundant the basic energy resources.

The United States does not lack basic energy resources to be developed. An enormous additional supply of energy could be made available if the necessary investment were made. Although the existing energy shortage is the result of several factors, the most important by far is underinvestment. The first signs of underinvestment were apparent as long as twenty years ago and they have become progressively more visible over the years. But as a nation we failed to heed the warning signs and bring corrective forces into play. And now we must suffer the consequences. At best, our over-all supply of energy is going to be tight for many years to come. And, if corrective actions are not taken soon enough, the Nation can suffer severe economic and social reversals.

It is vitally important that we understand why there has been prolonged underinvestment in respect to the supply of energy. Two related factors were involved. First, neither the petroleum industry nor the coal industry have been able to achieve adequate capital formation for the past two decades. And, second, the climate for investment in that period compared unfavorably with other investment opportunities. That condition led to a flight of capital away from the energy industries.

Here is an example of how these factors have operated, with the lifting of wartime price controls in 1946, the price of crude oil increased in successive stages over a period of several years. As a result, the petroleum industry was able to generate enough capital funds to support a rapidly expanding level of capital spending. Major companies and independent producers as separate groups both made a fourfold increase in their investment devoted to the search for more petroleum between 1946 and 1956. By the end of that period, however, the impact of natural gas price regulation had become great enough to prevent adequate capital formation. And the incentive to reinvest available capital funds was no longer sufficient. Independent producers reacted by cutting their annual rate of capital spending in half over the next decade. In terms of constant dollars, they reduced their annual outlay by as much as two-thirds. The majors also reduced their rate of spending, but to a lesser degree. As a result of the reduced spending, a great deal of petroleum that otherwise would have become available has remained undiscovered.

If we are to resolve our energy problems, we should make the climate for investment at least as good as anywhere else—and preferably better. And I can report to you that we have made a start. As a result of improved earnings, the petroleum industry's capital investment for finding and developing more petroleum was twice as great in 1973 as in 1971. Major companies were responsible for about 60 percent of that spending increment and independent producers accounted for the other 40 percent. For more than three decades our bank has conducted a continuing study of the financial performance of a large group of petroleum companies. And we now have in hand the results for the first half of 1974. In that period the group's profits in the United States amounted to 2.9 billion dollars—45 percent more than in the same period a year ago. The higher level of earnings has provided a major stimulus to capital spending. The group of companies in the first half of this year invested 6.5 billion dollars in the United States—122 percent more than in the first half of last year. And the group's capital expenditures were well over twice as large as it profits.

The much higher level of new investment on the part of the petroleum industry is cause for much encouragement. And, in my judgment, it is a development that should be nurtured and encouraged to a major degree. I think it is by far the most important force of correction that has come into play thus far. And if the higher level of spending can be sustained and progressively accelerated, the prospects for expanding this Nation's petroleum supply will be greatly enhanced. We should not, however, expect immediate results. Historically, there has been a lag period ranging from 4 to 7 years following a capital investment to find more petroleum before additional quantities of oil and natural gas are available to the market place. And that period is expected to become longer as the search is extended increasingly to offshore areas.

If the petroleum industry is to make the capital investment required to satisfy the Nation's expanding petroleum needs, it must have the financial wherewithal—its capital formation will have to be adequate. The group of companies that I referred to earlier could not possibly have invested more than twice as much money as it earned in the first half of this year if it did not have other sources of funds. Those other sources were capital recovery, borrowed capital, and profits earned outside the United States.

The combined capital and other financial needs of the various energy industries in the United States are expected to exceed one and a quarter trillion dollars during the 15-year period ranging from 1970 to 1985. We expect the capital markets will be asked to provide as much as 60 percent of that huge amount of money. But, as of now, it is by no means certain that the capital markets will be able to provide so much. Even now, there are frequent, disturbing announcements by electric utilities that they are postponing much needed projects because of financing difficulties. Such delays, of course, raise additional doubts about the adequacy of generating capacity in the future.

Because of the higher degree of risk associated with its activities, the petroleum industry cannot utilize the capital markets to as high a degree as the utilities. It is widely believed that the industry's borrowed capital should not exceed 25 percent of its over-all financial needs. Therefore, at least three-fourths of the needed money should be generated internally from profits and capital recovery. No segment of the capital markets can make funds available unless there is assurance of an orderly expansion of the borrower's cash flow leading to a sound balance sheet at the end of the loan period. Therefore, if restraints placed upon profits or capital recovery or both restrict the necessary expansion of cash flow, the availability of borrowed capital will also be limited as a consequence. And, in that event, the industry will not be able to make the capital investment required to satisfy the expanding needs for petroleum.

The industry's cash flow relative to its capital needs has not been sufficient for a long time. For the period ranging from 1955 through 1970, profits grew at an average annual rate of only 8 percent. But there were actual needs for a growth twice that large. Between 1968 and 1973 the large group of companies that I have cited earlier saw its profits in the United States grow at an average rate of only 2 percent a year.

Underinvestment has existed for as long as profits have been too small. And now there is a shortage of petroleum not only in the United States, but worldwide. Considering both the size and the geographic distribution of the world's proved reserves of petroleum, they are much too small relative to the indicated future needs. And the petroleum industry is now faced with the enormous task of finding enough new oil to satisfy expanding market demand and also raise underground inventories to satisfactory levels, particularly in areas other than the Middle East.

Before the latest crisis in the Middle East, we had calculated that the petroleum industry's financial needs for capital investment and other purposes would amount to nearly 1.4 trillion dollars for the period ranging from 1970 to 1985. Now, as a result of the inflationary effects of the actions taken by foreign governments to raise the price of their oil, the financial needs of the petroleum industry are likely to be substantially higher. We are not going to be able to make a new, realistic measurement until conditions stabilize and we have more evidence in hand.

If the petroleum industry is to achieve a cash flow sufficient to permit adequate capital formation, its profits should grow by approximately 18 percent a year between 1970 and 1985. That rate of growth may seem small compared with the gains reported by many companies in 1973 and the first half of this year. But we should be mindful that numerous abnormal forces have been at work during that period and they are not going to be effective permanently.

If the industry is able to generate enough money to support an adequate level of capital spending, there will be beneficial effects of that investment flowing through the economy to many business activities, large and small. But, if the investment cannot be made because of inadequate capital formation, there will be adverse effects for both large and small businesses. As a representative of a bank that deals with a great many businesses, large and small, throughout the entire economy, I can say to you that we are much concerned about the ability of the petroleum industry, and the other energy industries as well, to make the necessary capital investment. We all have a lot at stake.

WILL THE DEFENSE DEPARTMENT ASK FOR ANOTHER SUPPLEMENTAL?

Mr. PROXMIRE. Mr. President, an article in today's New York Times by respected reporter John W. Finney indicates that Defense Department officials are complaining that the $82.5 billion defense budget is not enough.

Apparently they are saying that the Pentagon needs about $11.5 billion more to fund major weapon programs.

This will undoubtedly come as a surprise to many in Congress. After having spent 8 months examining the defense budget in great detail by four committees of Congress, all of a sudden we find that the ante has been raised by another $11.5 billion.

There is even the possibility that the Pentagon will ask for a supplemental request for this fiscal year, although I hope that Secretary Schlesinger has better judgment than that about the mood of Congress.

If a supplemental is requested, it would mean that the Congress would be called upon to fund three major DOD bills this one calendar year. We first had the fiscal year 1974 supplemental request of $6.2 billion, subsequently reduced slightly. Then came the major DOD bill of some $92.5 billion in budget authority. And now there is the possibility of yet another major bill of up to $11.5 billion.

There is a clear lesson here, Mr. President. If the Defense Department does not get their full request the first time around, they either ask for a supplemental later in the year or put it off until early the next year. The strategy is divide and conquer—divide the attention of Congress and aggregate the various supplementals until the full request is reached.

Mr. President, I ask unanimous consent that the New York Times article by John Finney be printed in the RECORD.

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

BUDGETS CUTS AND INFLATION MAY CURB ARMS PROSPECTS

(By John W. Finney)

WASHINGTON, September 18.—Between inflation and budget cuts by Congress, the Defense Department finds itself more than $11-billion short of funds to carry out its planned procurement of weapons and materials, Pentagon officials said today.

Unless there is budgetary relief from the White House and Congress, which seems highly unlikely, the Defense Department, according to Pentagon officials, faces the prospect of cutting back substantially on its planned procurement of major new weapons.

The final size of this year's defense budget was worked out yesterday by a conference committee of the House and Senate Appropriations Committees. The conference committee approved $82.5-billion in appropriations for the military services, $4.5-billion less than requested by the Defense Department.

Not all of the appropriations, however, will be spent in the current fiscal year, since Congress provides funds for weapons that will not be produced for a few years. The net effect of the Congressional action will be to reduce defense spending by $2.6-billion below the projected spending level of $86-billion.

Under past circumstances, high-ranking defense officials say, the Pentagon would have been able to absorb such a Congressional cut within the overall defense budget. But this year, policy-making officials explain, the Defense department finds its ability limited to absorb the annual Congressional cut in the defense budget because inflation is driving up the cost of its major programs fasters than had been anticipated.

Because of inflation, officials said, the Defense Department finds itself $9-billion short of funds to pay for major programs approved by Congress this year and in earlier years. On top of this $9-billion shortage in funds, the Pentagon must find ways to absorb the $2.6-billion spending cut by Congress.

NO TROOP CUTBACK

Short of a Presidential decision, officials said the Defense Department had no intention of cutting back the size of the armed forces.

The only way the Pentagon will be able to offset the combined impact of inflation and Congressional reductions, therefore, officials said, will be to slow down or postpone the procurement of major weapons and defer the maintenance and overhaul of existing weapons.

High-ranking officials in the Pentagon are suggesting that the Ford Administration is approaching a major policy decision on whether, in its anti-inflation campaign of holding down Federal spending, it is willing to see a deterioration in the readiness of the armed forces.

The obvious hope of Pentagon officials is that the Defense Department will be given some budgetary relief by being permitted to ask Congress for supplementary appropriations to offset at least some of the inflationary rise in procurement costs. It seems unlikely, however, that such Pentagon hopes will be fulfilled.

ADMINISTRATION'S INTENTION

Roy L. Ash, director of the Bureau of Management and Budget, has made clear that it is the Administration's intention that the Defense Department live within its original budget, thus, in effect, absorbing the inflation that was not anticipated or budgeted for when the military budget was presented to Congress in January.

Even if the White House should approve a supplementary budget request by the Pentagon, it seems likely that such a request would be rejected by Congress.

In its report on the defense bill, the House Appropriations Committee made clear that it would not look favorably upon supplemental appropriation requests. The committee acknowledged that the Defense Department would probably not have sufficient funds to finance all its programs but suggested it should offset unanticipated inflation by eliminating and stretching out lower priority programs.

Somewhat ruefully, defense officials suggest the military programs are being hit doubly by inflation, first by budgetary procedures that do not permit the Pentagon to make full allowance for inflation and then by moves to cut back the defense program in order to hold down inflation.

In a statement on the conference committee action, Senator John L. McClellan of Arkansas, chairman of the Senate Appropriations Committee, observed that the Congressional cut "strikes a fair balance between the requirements of the nation's defense establishment and the need for reduced Federal spending to deal with inflation."

UNUSUAL PROCEDURES

Because of unusual budgetary procedures, Pentagon officials feel that defense programs are more vulnerable to inflation than other Government programs. Military and civilian pay increases to offset inflation are automatically included in the budget by law, but that is not true of procurement programs, which account for about 50 percent of the defense budget.

For a procurement of a major weapon system, the Defense Department must obtain all the funds in one year, although the weapon may not be produced until several years after the money is appropriated. The weapon, therefore, is particularly vulnerable to inflation beyond that projected by the Budget Bureau.

On major weapons systems, the Budget Bureau permits the defense department, in making its original appropriations request, to add 3.5 percent annually for inflation. This has been insufficient to cover inflation on major procurement, which the Defense Department estimates is running at at least 9 percent and much higher in such areas as shipbuilding.

FOOD AND OIL AND WORLD HARMONY

Mr. DOMENICI. Mr. President, the two most prominent headlines in this morning's Washington Post are most interesting and indicative of the perplexing complexities abounding in this world we live in.

The major headline reads, "Ford Warns U.N. Food, Oil Must Not Be Weapons," and the article following the headline details our President's laudable speech at the United Nations yesterday. In that speech President Ford reiterated this Nation's continuing commitment to sharing our blessings with less fortunate or less prosperous nations of the world. In the particular area of food, Mr. Ford said:

> The United States recognizes the special responsibility we bear as the world's largest producer of food.

He then outlined those specific actions we would undertake as a nation to fulfill our commitment and our responsibility

to meet humanitarian needs the world over.

The other headline in the Post, to which I earlier refered, reads, "Payments Balance Plunges" and the article under that headline related the disastrous experience of our balance of payments in the second quarter of 1974. The article pointed out quite correctly that $1.6 billion of this huge deficit was due to an adverse balance in our foreign trade. The "high cost of foreign oil" was specified as the "chief factor" in our worsening balance of trade.

Mr. President, in his remarkable speech to the United Nations containing his eloquent plea that oil and food not be used as weapons, the President stressed the need for world cooperation regarding those two commodities and the third problem of global inflation.

My concern today, Mr. President, is that this plea will fall on deaf ears and that oil producing nations will continue to use their favorable position of control over such a great portion of the world's oil to promote their own selfish interests. I have seen very little to indicate otherwise.

I foresee, Mr. President, this circumstance: The oil producing nations, principally those in the Middle East will continue to charge blackmail prices for crude oil while at the very same time refusing to participate or even cooperate in efforts by other more benevolent nations to share the burden of meeting the humanitarian needs of the world.

I am afraid that those nations, despite their ever-increasing income from oil, will fail to meet the needs of their own poor and hungry people and will also turn their backs on other middle countries not fortunate enough to be a part of the oil bonanza or, to use a more descriptive term, the oil ripoff.

Mr. President, I fervently hope I am wrong. I hope that all nations will see the validity of President Ford's call for international cooperation on food, oil, and inflation. As I see it, oil holds the key, and I must admit that the holders of that key have thus far failed to impress me that they can see beyond their own shortsighted, near-term self-interest.

If my fears should prove to be well founded, which we should know very quickly, I will urge that the United States and oil importing nations develop a program to survive without Middle East oil and at the same time discharge our humanitarian obligations to the rest of the world.

Mr. President, I ask unanimous consent that the two articles to which I have referred be printed in the RECORD.

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

[From the Washington Post, Sept. 19, 1974]

FORD WARNS U.N. FOOD, OIL MUST NOT BE WEAPONS

(By Murrey Marder)

UNITED NATIONS, September 18.—President Ford cautioned the world's oil-producing nations today that manipulation of energy prices can lead to counteraction using food as a political and economic weapon.

"Failure to cooperate on oil, food and inflation could spell disaster for every nation represented in this room," the President bluntly told the 138 member nations of the United Nations, 29th General Assembly.

"The United Nations must not and need not allow this to occur," the President said. He said the United States "recognizes the special responsibility we bear as the world's largest producer of food," and he pointedly noted that "it has not been our policy to use food as a political weapon despite the oil embargo and the recent oil price and production decisions." He emphasized that "energy is required to produce food, and food to produce energy."

President Ford reiterated U.S. readiness to increase food aid to other nations, to aid them in agricultural production, and to establish an international system of food reserves, if the world choice is economic cooperation—not "confrontation."

The President interjected into the opening of his speech unusual praise for Secretary of State Henry A. Kissinger. This departure was obvious reinforcement, in an exceptional forum, of the White House denials yesterday that Mr. Ford was considering stripping Kissinger of his powerful second post as the President's national security adviser.

Mr. Ford said, "It should be emphatically understood that the Secretary of State has my full support and the unquestioned backing of the American people."

He said he long has had "the closest working relationship with Secretary of State Kissinger," and that "I have supported and will continue to endorse his many efforts as Secretary of State and in our National Security Council system to build a world of peace."

This tribute to Kissinger brought the only applause during the President's 20-minute address, but in fact many of the delegates were unaware of what prompted the statement. Kissinger, and the President, apparently felt that the disclaimers of any intention to curb Kissinger's extraordinary dual power in the administration had received inadequate attention the day before.

During a brief visit to the U.S. Mission to the United Nations, across the street, the President also praised John Scali, U.S. ambassador to the U.N., and again repeated his effusive tribute to Kissinger in both his posts.

The President said, "We are lucky and fortunate to have Secretary Kissinger as our Secretary of State and the head of our National Security Council." Kissinger actually is head of the council's staff.

The exceptionally emphatic denials over two days that Kissinger's power might be pared in fact have served to intensify speculation about what was behind the reports which produced the disclaimers.

Kissinger has been involved in controversy in recent days over covert U.S. political intervention in Chile against the government of the late President Salvador Allende, authorized by the intelligence-coordinating "40 Committee," which Kissinger directs in his National Security Council post.

Mr. Ford wrote the endorsement of Kissinger himself at the United Nations headquarters while he was awaiting the noon hour when he would speak, according to Deputy White House Press Secretary John W. Hushen.

Another controversy over U.S. policy abroad loomed just beyond the President's sight during his five-hour visit here. A crowd of hundreds of angry demonstrators protesting U.S. policy in the Cyprus crisis was held back by police just across the street from U.N. headquarters.

President Ford was making his first major foreign policy address and it was the first time an American president had spoken to the United Nations since 1970. He received a courteous but restrained response from the assembly delegates. Cuba's delegation, as is its habit when Americans speak, was missing from the assembly hall, choosing the delegates' lounge instead, despite the fact that the Ford administration is moving toward ending the long U.S. estrangement from Cuba.

The Israeli delegation was absent from the hall also, because of the Jewish New Year holiday.

In a luncheon toast after the President's remarks, Secretary General Kurt Waldheim described his address as "a source of inspiration to all of us."

The President's blunt notice to the oil-producing nations, while omitting specific identification of the main target, the Arab producers, was, not surprisingly, rather coolly received by delegations from the Arab nations. Many of the nonaligned nations, hoping to see more specific pledges of American food aid, also reacted coolly.

The President essentially was repeating the same offers, and the same caution, about an energy-food confrontation that were made by Kissinger at a special session of the U.N. General Assembly here last April. Since then, however, the consequences of the fourfold increase in oil prices which grew out of the pressure applied during the Arab-Israel war have loomed even more darkly over the economies of many nations, with no alleviation in sight, and the President's language today was sterner than Kissinger's.

Mr. Ford today said that "by confronting consumers with production restrictions, artificial pricing, and the prospect of ultimate bankruptcy, producers will eventually become the victims of their own actions." Today, he said, "the economy of the world is under unprecedented stress" and "a global strategy for food and energy is urgently required."

The President said that Kissinger next week will present to the United Nations the specifics of the U.S. offers he outlined today.

The United States is prepared to "not only maintain the amount it spends for food shipments to nations in need, but it will increase this amount this year," Mr. Ford said.

American Agriculture Department estimates, however, show that it would cost $12 billion to maintain U.S. world food aid simply at last year's level of $300 million, because of the soaring increases in commodity prices. President Ford, it was noted, committed the United States only to increasing the amount it spends on food aid, without pledging to increase the quantity.

President Ford said "America will continue to do more than its share. But there are realistic limits to our capacities." He said, "No nation can be expected to feed all the world's hungry peoples," and he repeatedly coupled energy cooperation with food cooperation.

The United States, he said, will set forth its "comprehensive proposals" at the World Food Conference in Rome in November.

He immediately added, "Now is the time for the oil producers to define their conception of a global policy on energy to meet the growing . . . without imposing unacceptable burdens on the international monetary and trade system."

Industrial nations appeared generally pleased that, as several of their diplomats said, the President had "talked so openly" to the Arab oil producers.

Saudi Arabia's Ambassador Jamil M. Barody, however, said Mr. Ford had "put the emphasis on oil—the emphasis should be on inflation."

Kuwait's foreign minister, Sabab A. A. Sabah, also representing one of the major oil-producing nations, said of the President's remarks. "I could not agree with everything he said."

[From the Washington Post, Sept. 19, 1974]

PAYMENTS BALANCE PLUNGES—DEFICIT REACHES $2.7 BILLION IN SECOND QUARTER

A big increase in overseas investments and the high cost of foreign oil plunged the nation's balance of payments into a $2.7 billion deficit in the second quarter of the year, the Commerce Department reported yesterday.

The three-month deficit marked a dramatic reversal from the first quarter's $1.8 billion surplus. The balance-of-payments deficit means more money flowed out of the country than came in.

The deficit was attributed largely to an increase of $1 billion in overseas investments by Americans, and a $1.6 billion adverse balance in the nation's foreign trade. The high cost of foreign oil was the chief factor in the worsening trade picture.

In normal times, a big payments deficit could lead to a weakening in value of the U.S. dollar, which prompted the 1971 and 1973 devaluations of the dollar.

But a Commerce Department spokesman pointed out these are abnormal times and that U.S. dollars are in great demand by other countries as payment for their own oil purchases.

The United States has never had an annual surplus in the category of balance-of-payments known officially as the current account and long-term capital, which was reported yesterday.

However, the 1973 deficit was under $900 million, which represents a big improvement over earlier years.

Foreign investments during the second quarter totaled $1.6 billion, up from $600 millon in the first quarter. Part of this increase may have been due to investments by oil companies in their overseas subsidiaries, a spokesman for the Commerce Department said.

He said about $800 million was invested abroad by U.S. banks.

There also was an increase in foreign investments in the United States, although it was less pronounced. Investments by foreigners totaled $1.5 billion during the period, an increase of $200 million from the first quarter.

The second quarter deficit was the biggest quarterly deficit in the balance of payments since the third quarter of 1972 when it reached $2.9 billion.

The Commerce Department also revised its earlier report of the nation's liquidity balance to show a total deficit in the second quarter of $6.2 billion.

The liquidity balance measures the flow of short-term money—loans and investments of less than a year in duration. The huge deficit was largely due to the lending of U.S. dollars to other nations for oil purchases, a spokesman said.

Higher average hourly earnings accounted for a $4.7 billion increase in private wages and salaries in August, the department said. There was little change in average employment and working hours.

Government wages and salaries declined $2.3 billion in August.

Manufacturing payrolls increased $2.5 billion as increases in hourly earnings and the length of the work week offset rising unemployment, the department said.

Farm income increased $1.5 billion in August because of higher prices for livestock and crops.

In other income categories, dividends and interest income increased only slightly.

For the first eight months of 1974, adjusted annual income was $1.13 trillion compared with $1.04 trillion in the same period last year.

In another economic announcement, the Commerce Department said yesterday that personal income in the United States rose $6.7 billion in August to an adjusted annual rate of nearly $1.2 trillion.

MORT HENKIN: SOUTH DAKOTA BROADCASTER

Mr. McGOVERN. Mr. President, the broadcasting industry in my home State of South Dakota lost a long and faithful servant and I lost a good friend in the death of Morton Henkin of Sioux Falls. His lovely wife, Sylvia, and his family have my deepest sympathy in their great loss.

Mort Henkin was the son of a pioneer South Dakota broadcaster, who carried on the family enterprises—which included both radio and television station operations over the years—and at the same time made notable civic contributions to his State and his community.

I ask unanimous consent that an editorial from Mr. Henkin's home newspaper, the Sioux Falls Argus-Leader, for August 28, 1974, be printed in the RECORD.

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

MORTON HENKIN'S FINE SERVICE

In the death of Morton Henkin, Sioux Falls loses an outstanding and cheerful voice for his city and an effective civic leader.

Mr. Henkin, in his business career which spanned 38 years in this city, took an active role both in the communications industry of which he was a vital part and in the cultural and promotional activities affecting Sioux Falls.

As president of KSOO and KPAT-FM Radio, Morton Henkin kept in close touch with the ebb and flow of the news and the countless developments in the growth that characterized Sioux Falls during his business career. He was always a friendly and fair, although aggressive, competitor in the news and advertising business. The Argus-Leader and KSOO Radio in recent years cooperated on election coverage in Sioux Falls—an effort in which Mr. Henkin took personal interest.

He contributed notable service to the Sioux Empire Farm Show, and as president (1969) and a leader of the Sioux Falls Chamber of Commerce, an organization to which he gave countless hours. His interests and activities extended to other civic organizations in which he contributed much of his time and efforts. He was an accomplished musician.

Morton Henkin was proud of the mid-America from which he sprung. He liked to recount boyhood days at Madison and his association in business with his father, the late Joseph Henkin, a pioneer Sioux Falls broadcaster. He took pride in his community and family. He was a good friend.

This outgoing, stalwart voice of Sioux Falls will be missed by all who knew him!

THE CONTRIBUTION OF DEFICIT SPENDING TO INFLATION

Mr. FANNIN. Mr. President, in recent testimony before the Senate Committee on the Budget, Dr. Arthur Burns, Chairman, Board of Governors of the Federal Reserve System, testified that the reported budget deficit for fiscal year 1974 was vastly understated. This occurred because we did not include off-budget agencies and certain new extrabudgetary credit programs in our calculations of the deficit. Dr. Burns stated that—

In the fiscal year just concluded, the conditions of the Federal budget failed to improve significantly. True, the reported budget deficit declined to about $3½ billion—a much smaller deficit than in the three preceding years. But in a year of such powerful inflationary forces, the Federal budget should have been in surplus. Moreover, when off-budget outlays and expenditures of governmentally-sponsored agencies are taken into account, as I believe they should be, the total Federal deficit reached $21 billion last year, which is not much lower than the extraordinary deficits of the three previous fiscal years.

The financing of these huge Federal deficits has contributed powerfully to the upward pressure on interest rates and the tension in financial markets, which have been so troublesome of late. The disturbing effect of Federal borrowing on the flow of funds was illustrated dramatically earlier this month, when the Treasury went to the market to refinance some maturing debt obligations. Long lines of people formed at the doors of the Treasury and the Federal Reserve Banks to bid for the new securities offered by the Treasury. Half of the total $4.4 billion sought by the government was obtained through noncompetitive bids—that is, from relatively small investors. A large share of these funds undoubtedly came out of deposit accounts, and thus further reduced the ability of our financial institutions—particularly savings banks and savings and loan associations—to support homebuilding activities.

An editorial from the Wall Street Journal on August 28 commented on this problem. The editorial pointed out that—

Just as there is a supply of goods there is a supply of credit. The federal government taps this supply when it borrows to cover deficits. Individuals and corporations also need to tap it, and when they do not get enough credit the whole economy slows down. When the government takes a larger share of the pie, there is less for others and economic slowdown threatens sooner. But the Fed controls the supply of credit through its control over bank reserves, and to head off the slowdown expands credit by inflating the money supply. Unfortunately, this sends more money chasing the same goods, and making prices go up.

Mr. President, I ask that the full text of the Wall Street Journal editorial be printed in the RECORD.

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

[From the Wall Street Journal, Aug. 28, 1974]

DEFICITS, BORROWINGS AND INFLATION

There is a breed of economist that can be depended upon to find whatever argument exists for not cutting federal spending. At the moment they are reduced to arguing that if you throw in state and local governments as well as federal the budget is in balance anyway so why worry. And it's true that if you search through enough statistics, you come upon some numbers in the National Income Accounts.

Now, this is not exactly a picture of robust health. The chart's commanding feature is not the current precarious balance but the huge cumulative deficit run up since 1966; we would venture to suggest that this has something to do with the current difficulties. The current balance has been fueled by inflation's effect on tax revenues, and probably will vanish with the federal deficit expected in fiscal 1975. Finally, we presume a good fiscalist fine-tuner would prescribe a larger surplus, since we haven't noticed that the current balance has cured inflation.

More significantly, a simple-minded look at the National Income Accounts obscures the whole question of why deficits matter. Inflation is of course defined as too much money chasing too few goods. Government purchases represent money chasing goods, and deficits mean more government money chasing the

same amount of goods. And looking at the NIA figures makes sense if you believe that is the end of the inflationary effect of deficits.

It is, however, barely the beginning. How much money chases the current store of goods depends far less on how much money the government spends through the Treasury than on how much money it creates through the Federal Reserve System. For the Fed's actions create not only money spent by the government, but money loaned by banks and spent by everyone. The deficits matter principally because of what they induce the Fed to do.

Just as there is a supply of goods there is a supply of credit. The federal government taps this supply when it borrows to cover deficits. Individuals and corporations also need to tap it, and when they do not get enough credit the whole economy slows down. When the government takes a larger share of the pie, there is less for others and economic slowdown threatens sooner. But the Fed controls the supply of credit through its control over bank reserves, and to head off the slowdown expands credit by inflating the money supply. Unfortunately, this sends more money chasing the same goods, and makes prices go up.

From this standpoint, what matters is not actually the deficit, but how much of the credit pie is taken up by government borrowings.

Once upon a time the federal deficit was a reasonably good measure of federal borrowings and thus demands on the credit supply and expansionary pressures on the Fed. So the conventional wisdom was that deficits cause inflation and budget balance cures it. This created a bit of discipline for Congress, which with its typical ingenuity evaded the discipline by inventing off-budget financing. The idea was that so long as the numbers didn't show up in the federal deficit, Congress could dream up a lot of new agencies that made demands on the credit pool.

Thus we have Fannie Mae, Ginny Mae, the Federal Land Banks, the Federal Home Loan Banks, the Export-Import Bank, the Postal Service, an Environmental Financing Authority, a new Federal Financing Bank and on and on, all making credit demands but not showing up in the budget. The Morgan Guaranty Survey dubs this process "debudgeting the budget."

Salomon Brothers' flow of funds analysis shows that borrowing by federal agencies increased to $21.5 billion in 1973 from $9.2 billion in 1972. The analysis estimates that their borrowings in 1974 will remain at $21.1 billion. In essence, the increase in borrowings by the agencies has offset declining borrowing to fund the deficit; over the last three years the government sector has continued to demand roughly the same high percentage of the available credit.

This means that the Fed continues under the same pressure to choose between slowing the economy or expanding the money supply. Or in other words, the impact of the government sector remains highly inflationary. Of course, you can deny this whole analysis if you believe it's simply government purchases that count. But let's settle the matter empirically: Which chart is consistent with the rate of inflation we currently observe in the economy?

THE U.S. ROLE IN THE DRAFTING OF THE GENOCIDE CONVENTION

Mr. PROXMIRE. Mr. President, it is especially ironic and tragic that the Senate has refused to act on the Genocide Convention for a full quarter-century when we remember how instrumental the U.S. delegation was in the drafting of the treaty. The United Nations resolution which instructed the Economic and Social Council to consider preparation of a convention for the prevention of genocide was passed unanimously in 1946 with strong American support. The critical second draft of the Convention, the one finally to be adopted by the Assembly, though with some substantial changes, was prepared in the spring of 1948 by an ad hoc Committee on Genocide which was chaired by the U.S. representative.

This leadership is reflected in the language and underlying legal theory of the Convention itself. This is particularly noticeable in article III where genocide is defined as acts committed with the intent to destroy certain groups of people, in whole or in part, as such. It was the American legal genius which insisted that proof of intent as well as of the deed was necessary to convict a person of genocidal acts. Further, the Americans revised an earlier draft to preserve territorial jurisdiction, so that genocide would not be treated like piracy, the accused put on trial wherever they are apprehended. The crimes punishable under article III such as conspiracy, attempt, and complicity are all familiar to American lawyers.

The American delegation led the fight for the adoption of the Convention to which they had contributed so much. Just before the Assembly vote, the chief of our delegation, Assistant Secretary of State Ernest A. Gross said to the delegates:

It seems to the United States delegation that, in a world beset by many problems and great difficulties, we should proceed with this convention before the memory of recent horrifying genocidal acts has faded from the minds and conscience of man. Positive action must be taken now. My government is eager to see a genocide convention adopted at this session of the Assembly and signed by all member states before we quit with our labors here.

Mr. President, those words were spoken 25 year ago. In all the time since then, the Senate has refused to ratify this treaty on which our delegation labored so diligently. That is outrageous. I call on the Senate to vote on the Genocide Convention before the end of this session.

REQUEST FOR CONSTITUENCY VIEWS ON THE NOMINATION OF NELSON ROCKEFELLER FOR VICE PRESIDENT OF THE UNITED STATES

Mr. WILLIAM L. SCOTT. Mr. President, I ask unanimous consent to print a copy of my current newsletter to constituents in the RECORD for the information of our colleagues.

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

(See exhibit 1.)

Mr. WILLIAM L. SCOTT. Mr. President, you will note that the lead item requests the views of constituents on the nomination of Mr. Rockefeller to be Vice President of the United States. In my opinion, we have a major responsibility because we are acting in a field that is generally reserved for the voters of the entire country and, therefore, it seems reasonable to obtain as wide an expression of opinion from our respective States as we can before determining our vote for this important post.

EXHIBIT 1

BILL SCOTT REPORTS

CONSTITUENT VIEWS

It has been said that no king ever wielded a scepter more powerful than a lead pencil in the hand of an American citizen when he sits down to write his Congressman. Many Virginians are exercising their persuasive authority by contacting us regarding the pardon granted former President Nixon and also the nomination of Nelson Rockefeller to be Vice President.

Under Article 2, Section 2 of the Constitution, the pardoning power is vested exclusively in the President and court decisions have indicated that Congress has no authority to modify the exercise of executive clemency in individual cases.

The Rockefeller nomination, however, must be approved by both Houses of the Congress pursuant to the 25th Amendment of the Constitution. It is a substitute for the regular procedure under which the President and the Vice President are elected by the voters of the country. Therefore, I feel that this nomination is different from the customary right of the President to name his own Cabinet or the heads of the government commissions and agencies and welcome the opinions of constituents as to whether the nominee should be confirmed. It is expected, however, that the Senate will vote on the Rockefeller nomination within the next two weeks and if you desire to express your views, please do so as soon as possible.

MILITARY CONSTRUCTION

The Senate recently passed the Military Construction Bill for 1975 which authorized expenditures of $3 billion to construct and modernize our military facilities located here and abroad. About $1.2 billion will go to building new family housing, leasing units, maintaining present units, and to pay the interest and principal on mortgage obligations. The bill calls for the construction of about 100 family units at Fort Eustis.

The House-passed measure authorized expenditures of about $2.9 billion. As a result the two Houses will meet in conference to work out the differences between the bills.

A section of the bill provides $18.1 million to upgrade the naval and air support facilities on Diego Garcia in the Indian Ocean upon a Presidential finding that the expenditure is in the national interest. As you know, the Russians have their fleet in the Indian Ocean and the Defense Department considers it desirable that we maintain supply and support flexibility to counteract the Russian presence.

CARGO SHIPPING BILL

A few weeks ago, the Senate considered a measure that could have had a major impact on the shipbuilding industry in the Tidewater area of Virginia. The bill provides for an increase in the use of U.S. flag vessels in importing oil into this country. Proponents said that it would help strengthen the American shipbuilding industry and provide more jobs for our seamen and shipyard workers. It was argued that our national security posture would be improved by reducing dependence on foreign-flag vessels to meet our energy transportation needs.

However, opponents of the legislation said that it would be inflationary and raise the cost of oil to consumers. Some pointed out that the government already pays substantial subsidies for construction and $38,000 on the average toward the salaries of merchant marine officers and this measure would add to these costs. Some argued it would create an undesirable precedent, causing other nations to retaliate by putting similar restrictions on other imports to the United States. The bill, however, did pass the Senate, 42 to 28.

As you may know, we were successful on the Floor in knocking out a committee amendment that would have diverted government cargo from ports in Virginia and other coastal states to the Great Lakes. It appeared to be a bad precedent for the country to pit one section against another, and contrary to the best interest of the country.

It seems preferable to consider legislation that benefits the Nation as a whole and this amendment did appear to favor the Great Lakes region over coastal states. A copy of my remarks is available upon request.

PENSION REFORM

Congress recently enacted a pension reform bill which will give added protection to approximately thirty million employees in private business covered by company pension plans. It is understood that committees of both Houses of Congress have worked for several years to obtain a measure acceptable to both labor and business, and the complex measure finally approved, containing more than 200 pages, does appear to be very worthwhile.

While private pension plans reportedly have increased substantially in recent years, there are instances reported of workers losing all benefits even after relatively long service because they gave up their rights to benefits upon leaving their employment prior to retirement age. Others were reported to have incurred hardships because their companies went out of business without funds in the pension plan to pay the accrued benefits.

Enactment of this bill, the Employee Retirement Income Security Act, should give workers assurance that their retirement benefits will be available when needed. It will establish standards for employee participation in private plans to encourage earlier participation and longer periods over which benefits can be earned. In addition, the new law will provide for "vesting" rights so that workers entitled to retirement benefits actually obtain them and it will permit employees to transfer some of their pension benefits to other plans or to their individual retirement accounts.

FOREIGN SERVICE JOBS

The Department of State has asked that we let constituents know that jobs are available in the Foreign Service. We are told that applicants must be American citizens and at least 21 years old as of the date of the written examination, which is scheduled for December 7, although an exception is made for those who are 20 if they have successfully completed their junior year of college. Persons wishing more information may contact our office or write directly to: Board of Examiners for the Foreign Service, Rosslyn Station Box 9317, Arlington, Virginia 22209.

SEATBELTS AND BIG TRUCKS

An interesting discussion was had in the Senate a few days ago with regard to mandatory interlock devices on automobiles. As you may know, Federal regulations now require that all new automobiles have a locking device which prevents the starting of an automobile motor until seatbelts are fastened. One Senator recalled that he couldn't start his car even though his seatbelt was fastened and walked several miles to find a mechanic to help him. The mechanic found the cause of the trouble to be a loaf of bread and a pound of cheese on the seat beside the Senator had activated the interlocking device, preventing the starting of the automobile.

Most citizens favor the use of seatbelts and undoubtedly they reduce the number of deaths and injuries in automobile accidents. However, the views were expressed that a warning light would be sufficient and that a driver should not be prevented from even starting the motor of his car because the seatbelt was not fastened. It does appear to be an undue restriction on his freedom to decide for himself whether or not he wants to wear a seatbelt. Most of the Senate agreed to eliminate the mandatory feature and it is hoped, since the House had a similar provision in a bill it passed, that the Federal regulation will be eliminated.

The seatbelt requirement was a part of a general Federal-Aid Highway Bill which also included a controversial section increasing the permissible weight of trucks on interstate highways. Opponents of heavier trucks expressed concern over the safety of motorists and the adverse effect of the heavier weight on bridges and roads, while supporters argued that the increase was needed for economic reasons. Of course, we recognize the importance of the trucking industry as one of our major methods of transporting goods throughout the country and would not want to unduly burden this industry.

Nevertheless, it does seem reasonable that we consider safety features and the cost of maintaining our highways. At a time when people seem to be moving toward smaller cars, it does not seem consistent with safety that we have an increasing number of smaller passenger cars and larger trucks on our highways. A copy of my floor statement on these matters is available upon request.

NORFOLK FEDERAL BUILDING

General Services Administration has recommended that a new Federal Building be constructed in downtown Norfolk to serve the general Tidewater area. It indicated that existing Federal or leased structures in the Norfolk area are inadequate and asked that authority be given by the House and Senate Public Works Committees to proceed with plans for a new facility to house various Federal agencies serving the area. A hearing on the project was held by our Subcommittee on Buildings and Grounds a few days ago and it appears that the proposal will be approved.

PAMPHLETS AVAILABLE

Our office has a supply of the government publications listed below. Let us know if you would like copies of any of them.

The Real Facts About Food

American Revolution Bicentennial Adm., information pamphlet

Keeping Food Safe to Eat

House Plants

INFLATION

President Ford has been criticized for a number of decisions during his first few weeks in office. However, there is little doubt of his correctness in naming inflation as our number one domestic problem. Among the actions taken by the Congress in the economic field is the passage of a budget control law and the creation of new committees on the budget. The budget committees of the House and Senate will determine how much revenue may be expected to be received in advance of the President's budget message to the Congress next January, as well as how much should be expended. While the President will not be bound in his recommendation by any limit set by the committees, it will undoubtedly be persuasive. The new law will strengthen the position of the Congress in dealing with the Executive budget, and, of course, the Congress has ultimate control over government spending.

A Senate resolution also suggested that an economic summit meeting be held with participation of top government, business and labor leaders to help develop a sound program for improving our economy. The President agreed with the Senate suggestion and a series of such meetings sponsored by the White House are now being held. The summit meetings and the new budget control law should both be helpful in finding ways of reducing the inflationary pressures and strengthening the economy.

I personally believe that deficit financing by the government has been a major contributor to inflation but a lack of confidence in the economy has also contributed to stock market declines and some retrenchment by the business community. Congress, of course, must assume responsibility for the national debt now approaching the half trillion mark with interest on the debt costing approximately $60,000 a minute. Perhaps we need to depend less on government to solve individual problems. We might also note that inflation is not restricted to this country but is a worldwide problem with many nations experiencing a much higher degree of inflation than our own. This recognition, however, is of little comfort when we see the continual rise in prices we must pay for the purchases we make and if you have any constructive suggestions in this important and complex field, they would be most welcome.

DAYLIGHT SAVING

The Senate recently adopted an amendment to the Energy Reorganization Act to eliminate daylight saving time during the months of November, December, January, and February. As you will recall, daylight saving was extended to a year-round basis during the energy crisis. However, last winter a government study concluded that the time change had a very limited effect in reducing the amount of energy consumed. Many parents expressed their concern over the safety of their children while waiting for school buses during predawn hours. Farmers were having to perform chores before daybreak and construction workers complained that they could not do their jobs until after sunup.

It seemed reasonable to profit from last year's experiences, and to retain daylight saving for eight months of the year but to eliminate it during the four winter months when the days are shortest. Copies of my remarks on this proposal are available upon request.

MIKE MANSFIELD

Mr. CRANSTON. Mr. President, MIKE MANSFIELD is a man of few words. I shall try to emulate him.

MIKE MANSFIELD is a great Democratic leader. He is also, and more importantly, a great democratic leader.

To be a successful leader in a democratic society calls for wisdom, intelligence, integrity, candor, honesty, and understanding. It also demands humor, humility, patience, compassion, courage, and above all, a profound respect for one's fellow man.

MIKE MANSFIELD epitomizes all these attributes. In spades. He is the kind of man all of us would like to be. Only a very few ever make it.

FORMER SSA CHIEF ACTUARY ENDORSES NATIONAL SOCIAL SECURITY COMMISSION PROPOSAL

Mr. FONG. Mr. President, for some time I have been urging creation of an independent, bipartisan national commission to maintain continuous overview of the social security system and to make regular reports to the Congress, the President, and the American people. To accomplish this, Senator FANNIN and I introduced Senate Joint Resolution 48 early in the first session of this Congress.

I am pleased to report receipt of a letter in support of the Fong-Fannin proposal for a national commission from one of the most distinguished authorities on social security, Mr. Robert J. Myers, who served for more than 20 years as Chief Actuary of the Social Security Administration.

No individual is better qualified as an expert on the social security system than Mr. Myers. His involvement with this important program as an actuary began before enactment of the Social Security Act in 1935.

He became chief actuary in 1947, serving the Social Security Administration in that capacity until his resignation in 1970. At that tme he became professor of actuarial science at Temple University, a post he now holds.

A past president of both the Society of Actuaries and the American Academy of Actuaries, Mr. Myers has published two books: "Social Insurance and Allied Government Programs"—1965, and "Medicare"—1970. He has served for many years as a consultant to various committees of the Congress.

Mr. Myers' worldwide reputation as an authority is attested by his missions of technical assistance in connection with social security or pension programs in Bermuda, Bolivia, Colombia, Cyprus, Dominican Republic, Ethiopia, Greece, Honduras, India, Iran, Israel, Japan, Jordan, Liberia, Malaysia, New Caledonia, Nicaragua, Panama, Peru, Puerto Rico, Saudi Arabia, South-West Africa, Surinam, Ryukyu Islands, Trust Territory of the Pacific Islands, Venezuela, Vietnam—South, and West Germany, and his missions to study social security systems of Ceylon, England, Greece, Lebanon, New Zealand, Philippines, Soviet Union, Sweden, Turkey, and United Arab Republic.

Mr. Myers' letter was prompted by my floor statements on July 11 and 22 on behalf of Senate Joint Resolution 48 when I invited attention of the Senate to an article in U.S. News & World Report and an editorial in the Wall Street Journal about financial problems facing social security. Both articles were triggered at least in part by the report this year by the social security trustees that the retirement benefits program is now underfinanced by 3 percent of payroll subject to social security taxes.

On numerous occasions I have described social security as the Nation's biggest business. I am committed to doing all I can to be sure that it continues to perform its essential role on behalf of our people with maximum efficiency and equity.

Every citizen has a serious personal interest in the social security system's present and future. Millions of people depend on it for income today. Millions more rely on it for the future. Payments to current beneficiaries and taxes necessary to its support run into billions of dollars each year. Foreseeable obligations of the system amount to hundreds of billions of dollars. That such a massive and vital program is not now subject to continuing and through-going review by an agency charged with no other responsibilities is, in my opinion, indefensible. It is to correct the present overview deficiency in the Social Security Act that the Fong-Fannin proposal for a National Social Security Commission was introduced. Mr. Myers' endorsement of it is most welcome.

The Fong-Fannin resolution would create a permanent blue ribbon panel of highly qualified persons, including experts in actuarial science and economics, who would maintain a constant surveillance of the social security system with regard to its benefit adequacy, fiscal integrity, equitable treatment of beneficaries and the system's interrelationship with and impact on America's whole economy.

National Social Security Commission members would be named on a bipartisan basis by the President pro tempore of the Senate, the Speaker of the House of Representatives, and the President, with Senate confirmation of Presidential appointees. It would be assisted by a permanent staff totally independent of the Social Security Administration.

The proposed permanent commission would be a replacement for the Advisory Council on Social Security, which is currently charged under the law with responsibility for a quadrennial review of social security. The limited kind of overview now provided through the Advisory Council is hardly adequate to the needs of such an important part of American life. That it is appointed but once every 4 years, with an obligation to make its report within a year or less, virtually assures that independent, in-depth analysis of the factors important to a successful social security system will be difficult, if not totally impossible.

This weakness in the present approach is emphasized in Mr. Myers' letter. That his comments are based on direct personal observations of the Advisory Council's work since its establishment gives them special weight. Mr. Myers accords full recognition to abilities of distinguished members of the present council and its predecessors, as I have done in previous statements, and also reiterates my contention that the method of appointment and conduct of the Advisory Council's business puts insurmountable obstacles in its path—at least if the object is comprehensive review and the best possible recommendations for the future of social security.

I am pleased to see, as reported in Mr. Myers' letter, that the current Advisory Council has had the foresight to engage outside consultants to assist in its deliberations. I fear that the council will, however, remain too dependent on the system's administrative staff, a circumstance which will not permit the kind of independent review that social security should be receiving on a continuing basis. Mr. Myers comments on the extremely short period of time the present council will have had available to it for its work. Even under the most favorable circumstances, it is likely that its report will leave unanswered many serious questions of interest to the Congress and the people.

We live in a highly dynamic society in which factors important to social security, and the millions we want it to serve, are undergoing constant change. We need a review system that is immediately responsive to them and which will maintain a constant check on the impact, favorable and negative, of this dynamism. This is impossible under the type of quadrennial review now in effect.

Changes in birth rates, spiraling rates of inflation, and shifting patterns of wages are but a few examples of developments which have occurred in recent years that have impact on social security. Others to which careful study and attention should be given include changes in life expectancy and retirement practices. Not the least of the matters which deserve most careful analysis is the interrelationship between the growing private pensions system, other governmental programs offering income assistance to the aged and the social security system's old-age, survivors, and disability insurance program.

It is vital for the future that the American public and the Congress have readily available to them the information and expert opinion, including divergent views as appropriate, which would be produced through the National Social Security Commission envisioned in the Fong-Fannin resolution.

In his letter, Mr. Myers suggests some possible changes in Senate Joint Resolution 48, which he feels would make it more effective. I welcome them. I would appreciate any other recommendations.

I believe I can speak for both Senator FANNIN and myself when I say that we are not wed to the precise language or details of Senate Joint Resolution 48. We are interested in making the social security system more effective in meeting the needs of the American people.

To do this, we believe it is important to provide for continuous review of social security by an independent agency composed of highly qualified persons. We believe its appointment, as envisioned in the Fong-Fannin proposal, should be on a truly bipartisan basis. As noted by Mr. Myers in his letter, we also feel it would be helpful to have appointment by the Congress as well as the executive branch. We are willing, indeed eager, to accept other changes in our proposal. We are firm in our view, however, that the fundamental elements in the proposed National Social Security Commission be retained in any legislation which is adopted.

I would like to publicly thank Mr. Myers for taking time to write to me offering his support of Senate Joint Resolution 48. I urge all Members of Congress to give careful reading to his letter, and I ask unanimous consent that the letter be printed in the RECORD.

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

ROBERT J. MYERS, F.S.A., M.A.A.A.,
Silver Spring, Md., August 28, 1974.

Hon. HIRAM L. FONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR FONG: I read with great interest the statements that you made on the floor of the Senate on July 11 and July 22 in connection with publications commenting on the financial situation of the Social Security program.

You quite correctly point out that the solution of this serious problem could probably more readily be found if there were in existence the independent National Social Security Commission which would be created by Senate Joint Resolution 48 introduced by you and Senator Fannin. I most certainly agree with you on this important proposal.

The present approach of having a statutory Advisory Council on Social Security appointed every four years by the Secretary of

Health, Education, and Welfare and functioning for only a temporary period has had certain beneficial results in the past. However, I believe that a permanent Commission, with its own independent staff, such as you propose, would have all of the advantages of the present advisory council approach and many more as well.

The weaknesses of the present procedure are several. The members of the advisory councils have been distinguished persons, with many of them having previously had significant knowledge of the working of this intricate program. However, they are *all very busy* and important people with many demands on their time, and so, in the short period available, they cannot build up as deep a knowledge and experience as would be possible with a permanent Commission. For example, the present council was not appointed until April of this year, and so it has less than nine months to complete its important task.

Another difficulty with the present procedure that would be solved under your proposal is the failure of the advisory councils *to have completely* independent staffs of their own; rather, in the past, they have relied largely upon the staff of the Social Security Administration. The present Council, however, has made some changes in this manner of operation by having a number of independent consultants of its own. The difficulty with relying on the Social Security Administration staff is that, naturally, they are under the control of the Executive Branch and its political appointees so that bias can result.

One further difficulty that I have seen over the years—and I believe that I am the only person who has been associated in one way or another with every advisory council and committee since the program was inaugurated in 1934—is that the staff always seems to flood the council members with vast quantities of reports at the last moment. Thus, the council members, being very busy people, cannot wade through all this material and at the same time do the necessary and desirable independent thinking about the major policy problems.

Still another difficulty with the present procedure of having advisory councils is that they are named entirely by the Executive Branch and thus, in essence, by only one political party. Although there has usually been the attempt to have good representation of different groups and interests, there have been times when real diversified representation was not obtained. And this has been true in both Democratic and Republican administrations. On the other hand, your proposal would quite adequately assure good political diversification, although it might be further improved if the Commission also included one member recommended by national business organizations and one member recommended by national labor organizations.

Sincerely yours,

ROBERT J. MYERS.

THE LYRIC OPERA OF CHICAGO

Mr. PERCY. Mr. President, the year 1974 is a landmark year for the Lyric Opera of Chicago, for it marks the 20th season of grand opera in Chicago, an anniversary of which all Chicagoans can be justifiably proud.

In 1954, the Lyric Opera of Chicago was founded by Miss Carol Fox, who has been singularly instrumental in building the organization to its current internationally renowned status, and who has served as the opera's general manager since its beginning. In this, its 20th season, it is entirely appropriate that we pay national tribute not only to the Lyric Opera of Chicago but to Miss Carol Fox as well.

Born and reared in Chicago, Miss Fox studied music in Chicago, New York, and Italy before forming the Lyric Opera of Chicago, originally known as the Lyric Theatre of Chicago. Under her outstanding leadership for the past 20 years, the Lyric Opera has presented nearly 100 different works and has attracted the attention and respect of opera and ballet lovers around the world.

Miss Fox has been honored with numerous awards from organizations and institutions here and in Europe, but perhaps the greatest honor for Miss Fox and for the opera comes this year: the Lyric Opera of Chicago has been selected to host the Fourth International Verdi Congress, honoring the great Italian composer Giuseppe Verdi. This distinguished event will attract experts and scholars from around the world, and the Lyric Opera and Miss Carol Fox deserve warm praise from all of us.

I offer my own congratulations and those of my colleagues, who, I am certain, share my appreciation for the fine accomplishments of the Lyric Opera of Chicago, in this its 20th season.

I also commend those distinguished men and women who have contributed so much in financial support and personal time as board members and in other capacities to insure the great achievements of Lyric Opera throughout the past 20 years. They have made it a glittering jewel in the cultural life of Chicago and thereby enriched the quality of life of our Nation and the great city of Chicago.

FATHER THORNING—PADRE OF THE AMERICAS

Mr. MATHIAS. Mr. President, a parish priest who is known to several generations of western Maryland residents has managed to combine his mission at home with far sighted efforts to foster better relation with Latin America. Rev. Joseph F. Thorning has been untiring in his work as a rural priest and in his additional careers as author, lecturer, educator and internationalist.

In the years before improved roads and urban sprawl, Father Thorning travelled the byways of Frederick County and western Maryland, serving the people of Urbana, Buckeystown, and other communities as remote as Point of Rocks.

In those same years, he established a record as one of the early foresighted Americans to look south, and perceive the importance of developing the inter-American community. In 1944, he helped in bringing about congressional action to establish the annual Pan American Day Celebration in the U.S. Capital. Each year, for the past 30 years, he has been on hand to offer the opening House prayer on that day. Father Thorning has been honorary chaplain of the Inter-American Defense College since 1945, and has won the praise of the U.S. Marine Corps in a citation for his valuable contributions over the years. He has earned the accolade "Padre of the Americas."

These many varied pursuits have not been at odds, because the context of his activities has always been a religious one. In a book published on the eve of World War II, a chapter titled "True Internationalism" used an apt phrase, which not only summarizes his attitude, but also has a message for the entire American people. He has said:

> Every nation in the world may be pictured in the imagination as surrounded by two walls, one of flesh and one of spirit. The weaker the wall of spirit, the higher must rise the wall of flesh. The stronger the wall of spirit, the more easily and more securely may it dispense with the outlying wall of steel.

THE ECONOMY

Mr. ROTH. Mr. President, I was pleased to participate in the annual Labor Day celebration in Wilmington. This year's program was a particularly meaningful one because it was held in memory of the late Clement Lemon, a fine man and an outstanding labor leader who headed the labor movement in Delaware for a number of years.

Through the years, the labor movement has been joined by members of this body in transmitting concerns about problems into meaningful action. The concerns of labor frequently are the concerns of us all and today, as in the past, we have a commonality of interest as we look at the problems of the economy. A speech which summed up the situation facing the working man, woman, and the Nation far better than anything I have heard in a long time was given by J. Thomas Schranck, Delaware's Secretary of Labor, and I would like to share it with my colleagues as well as others in Government here in Washington.

Mr. Schranck points to the strength of our system of government in withstanding shocks which would topple other governmental systems. He emphasizes the interdependence of our economy with that of the rest of the world. He calls for labor statesmanship which recognizes that employer and worker have more in common than they do in conflict. Most importantly of all, he emphasizes the need for a partnership of labor, business, industry, and Government.

This is an approach I too have advocated as a way to solve this country's problems and I commend Mr. Schranck for the approach he is taking to meet the economic dilemma of double digit inflation and recession. His speech is worth the attention of those of us in Government. Truly today we are badly in need of intelligent, well thought out ideas such as these if we are ever to lick these difficult problems.

I ask unanimous consent to have the speech of Mr. Schranck printed in the RECORD.

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

LABOR DAY ADDRESS

(By J. Thomas Schranck)

Labor Day is and should be one of the most important holidays on our calendar, for today we pay tribute to the working men and women of this country and the labor movement which has accomplished so much.

It has been the work of millions of men and women which built this country from the days when the earliest settlers hacked their homes out of the wilderness. And, thanks to unions, today's workers enjoy more of the fruits of their labor and ability than their parents did even a generation ago.

The debt we owe to such men as Samuel Gompers, Phillip Murray, John L. Lewis, George Meany, Walter Reuther and Clem Lemon cannot be repaid except by dedicating ourselves to responsible and creative union leadership.

There could not be a more critical time for the worker than today, with the value of his paycheck pared down more and more by the sharp, cutting edge of what the President calls "domestic enemy number one"—inflation.

In normal times we have more or less taken our paychecks for granted, but we cannot do so today. And what happens to the individual worker's paycheck is taking on greater and greater significance with each rise in the cost of living index, because we are, basically, a nation of wage earners. Eight out of ten workers depend completely on their paychecks to provide for themselves and their families. Only a relatively few work for themselves.

In effect, we have what is frequently called a job economy.

Our economic well-being as a nation depends on the size and regularity of what wage or salary on which we depend for all of the necessities and all the niceties of life.

That's one side of the coin.

Our workers are the backbone of this country, every worker is important and each one makes a real and tangible contribution to our economic well being.

The economists in the ivory towers of academia or modernistic computer-equipped offices call our system capitalism. But it has been the achievements of our workers which have given this nation the highest standard of living in the world. And to do that, their achievements have been staggering in comparison to those of workers in other nations. So I call our system the worker's economy.

The American worker has made our society the strongest and most creative in the world while we have built a political system which can withstand shocks which would have reduced other nations to chaos.

It is appropriate today to look at how much government has contributed and continues to contribute to productivity and the job security of the American worker. We sometimes forget how much government has helped to produce conditions which make the American wage-earner the best paid and the best protected worker in the world.

And I'm not talking only about what has been done in Washington. I'm talking about what's happened here in Delaware, too.

This doesn't mean that I can't understand the workers' beef about many of the things government has done, or failed to do, and may still be doing today. There are always two sides to a coin.

I don't need a hearing aid to hear the howl of workers whose wages are losing purchasing power because of inflation. But we must remember that inflation is not only hitting American workers, but inflation is world-wide and some solutions to the problem must be world-wide, even though there is even more to be done here at home.

As we all know, the President has made his primary target what he calls "domestic enemy number one"—inflation, and Congress has responded. Now it is time for business, industry and labor to respond, too.

Then, hopefully, within a few months the cutting edge of inflation will be dulled considerably, although it will take longer to bring it under full control.

In Delaware, under the leadership of Governor Sherman W. Tribbitt, we have an effective, statewide unemployment insurance program, which pays to all insured workers who are jobless through no fault of their own. In the past years we have increased the maximum weekly unemployment compensation from $50 to $85. We have a workmen's compensation law.

We have an effective, statewide employment service with ties to the employment services of all the other states.

The employment service also administers tests to all persons taking examinations for apprenticeship training.

The statewide apprenticeship and training program also involves the employment service, as well as unions, employers, the State Apprenticeship and Training Council, the U.S. Bureau of Apprenticeship and Training, the State-County CETA Manpower Consortium and the State Vocational Education System.

Career education—that is education and training in our schools aimed at preparing youth for successful working careers—is a major component of our public education system, including vocational education.

So, as you can see, government at all levels is deeply involved in serving the working man, as, for example, in the public services jobs provided by city, county and state governments under the emergency employment act and various uses of revenue-sharing funds.

There are many other programs to promote the skills, earnings and effectiveness of individual workers and job security to the limit of our ability to provide it.

The services provided workers are many, but nevertheless, the worker's mainstay is his paycheck, which is where he is hurting most right now.

I wonder how many of us realize, however, just what our paychecks mean to us and to the national, state and local economy. It's the consumer who pays the bill, and the bulk of our consumers are working men and women.

Without jobs we cannot earn these necessities and amenities, but as the value of our pay and fringe benefits decreases, we earn less and less of the things that are vital to both our welfare and our standard of living.

So what happens, when we have to stretch our dollars?

Something has to give, and we go without what we can't afford, and, as a result, somebody's job is affected and in the end many jobs are affected.

And what do we do to offset the effects of inflation?

Of course, we push for higher wages, personally or through collective bargaining. When millions of workers get higher pay, prices go up, as we all know, and the inflationary spiral just keeps going higher and higher.

In the end, as you know, something else has to give before prices can come down and our earnings can match our needs—or so we hope.

Many economists, who think in broad, really inhuman terms, say that the best way to curb inflation is to allow for—actually encourage—a higher unemployment rate, with "acceptable limits."

To me this is inhuman. Why should even one person be penalized because business, labor, government and industry, working together cannot find ways to curb inflation without a severe cost to individual human lives?

After all, this is a nation of workers, and workers who are willing and able to give good service in return for an equitable wage should not be made to suffer.

Probably the most dangerous factor in the continuation of the inflationary spiral is what could be called a game of "catch up." When prices of raw materials rise, the businessman raises his prices, when retail prices rise, salary and wage demands rise, when an employer's salary or wage costs rise, he raises prices. We all know that. Then, when there are shortages, prices rise again as businessmen try to take advantage of demand.

The result is everybody keeps trying to keep ahead or catch up and the inflationary spiral mounts higher and higher.

The job we have to do in this country is to break up this vicious game, but one segment of the economy cannot do it while the others don't. Usually, there is a lag between wages and prices, which is why the worker is hardest hit. So you can't have a ceiling on wages unless there is a ceiling on prices, and you can't have a ceiling on prices unless you have a ceiling on profits.

So somewhere along the way something has to give. And I don't believe workers should be the first to be penalized, either—by an arbitrary wage freeze with no adjustments on prices and profits.

The game of "catch up" must stop!

Congress and the President are going to be giving this problem first priority and will begin working hard on the problem immediately after the Labor Day weekend.

But we can't just rely on the President and Congress.

We have to get into the action here as well, and we have to make our views felt by our state legislators as well as by Congress and the White House.

If there is going to be sound economic statesmanship, we have to do our part to make sure that no part of our economy is penalized, especially the worker, who is, as I have already said very emphatically, the backbone of our economy.

And that means we must not stand still while bankers, bureaucrats and economic theorists tinker with monetary policy to reduce inflation on the basis that a certain level of unemployment is "acceptable." That kind of thinking reminds me of something I once heard. When your neighbor down the street is out of a job, there's a job shortage. When your brother-in-law is out of work, there's a recession; but when you're out of work, there's a depression for sure.

All joking aside, there is no acceptable unemployment rate!

To say so is to deny one of the fundamental principles of our democratic society—the individual's opportunity to work and provide for himself and his family.

This means that we must exert our joint influence and exert pressure on all government—Federal, State and local—to insure economic justice.

That requires a type of labor statesmanship which recognizes that employer and worker have more in common than they do in conflict—the health and stability of our economy.

That means that we have to begin talking with each other on the basis of the economic well-being of society as a whole—of our whole economy. This all adds up to the security and welfare of the people who create the goods and services upon which our Nation's greatness depends and upon which a healthy world economy must be based.

We cannot sacrifice the welfare of individual workers for some abstract economic good.

What I'm talking about, really, is the type of leadership at all levels of government and in all segments of our national community which puts the common good first.

While our business executives and labor leaders are working on this aspect of the problem, there are still other things which can be done by the Federal, State and local government, by unions and by employers.

Among these are: Upgrading the skills and productivity of workers, particularly the less skilled ones who have no secure place in a highly sophisticated world of work where training, education and experience paid off in dollars.

We are doing this with various programs.

We must develop new industries which can absorb the hard-core unemployed, before or after training. We need to do a better job of matching jobs and workers.

We need to learn to use available knowledge and skills more effectively to reduce the cost of doing business, and we need to make room for improving technology without jeopardizing individual workers' jobs.

These things are in the works in one place or another, but it's time for government here to form a partnership with business, industry and labor to see what we can do with *these various* approaches to reduce unemployment, raise productivity and wages and bring new industry in to absorb our growing surplus of workers.

This is the time for action, and what better day to call for action to serve the state through better services for workers and employers than on Labor Day.

It's taking the narrow view which we must avoid, and it's up to us through pressure on our leaders to make sure that the right action—the action which serves us all best—is what is taken, not action which serves one group at the expense of the other.

I won't say the outlook is rosy: I won't say it's all gloom and doom.

What I will say, is that we have the power in our hands, through the democratic processes of government and of our union organizations to decide which it is going to be and to put our brains and brawn behind the effort.

The choice is ours, and on this Labor Day, 1974, I believe it is the time for organized labor in the United States to prove that it can continue to produce the George Meanys, the John L. Lewises, the Phillip Murrays, Walter Reuthers and Clem Lemons who have made labor an equal partner with business and industry in the dynamic growth of this country.

So, as soon as the holiday is over, let's get to work!

A REPORT ON THE AGRICULTURAL SITUATION

Mr. THURMOND. Mr. President, the National Grange has long been recognized as one of the foremost spokesmen for the farmer and rural America. Likewise, the South Carolina State Grange is one of the most prominent and respected farm organizations in our fine State.

Recently the agriculture committee of the South Carolina Grange issued a very broad and comprehensive report identifying the issues and concerns of South Carolina's farmers and rural citizens. Many of the problems and recommendations identified by this South Carolina agricultural group are now or should be concerns of the entire Nation. I would like to commend the agriculture committee of the South Carolina State Grange for a very thorough and thoughtful summary of the agricultural situation. Mr. President, I ask unanimous consent that portions of this report which pertain to the national agricultural scene be printed in the RECORD immediately following the conclusion of my remarks.

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

REPORT OF THE AGRICULTURE COMMITTEE OF THE SOUTH CAROLINA STATE GRANGE

We commend the Secretary of Agriculture, Earl Butz, for his role in the defense of agriculture and request that he make available more funds for publicity of the farmer's plight, emphasizing agriculture's role in our nation's economy.

We commend the Agriculture Committees of the U.S. House of Representatives and the U.S. Senate for diligently working to pass the Agriculture Act of 1974; however, we believe that the support prices are inadequate and that the target prices should be raised in order to insure farmers a fair return on their investment.

We heartily commend the Land Grant Colleges and the Cooperative Extension Service for keeping the farmers informed regarding progress in agriculture.

Resolved: that the American people be assured that imported food products meet the same high standards as required for domestic producers.

Resolved: that the Secretary of Agriculture continue research on marketing American farm products while maintaining an adequate supply of foodstuffs for American animal agriculture.

Resolved: that the National and State Grange use their influence and resources to educate the public regarding the use of insecticides, herbicides, and other farm chemicals needed to produce food and fiber for our survival.

Resolved: that all farm products be cleaned, packaged and marketed in a creditable manner, giving correct weights and measures in order to encourage trade.

The Agriculture Committee of the South Carolina State Grange recommends the following:

1. That a Rural Environmental Conservation Program (R.E.C.P.) continue to be made available to conserve our land and natural resources for future generations.

2. That proper departments make a thorough study of the existing Welfare and Food Stamp Programs which deny the individual the incentive to work and result in shortage of labor.

3. That the United States Department of Agriculture and the Congress oppose acreage control of soybeans and request a greater research program for a more varied use of soybean products.

4. That USDA and the Food and Drug Administration set up, at the earliest possible date, tolerance levels for antibiotics, food and fiber for human consumption, and that no insecticide be banned unless it can be proven beyond reasonable doubt to be harmful to mankind.

5. That USDA, the National Wildlife Service, and the Department of Wildlife of the State of South Carolina provide for increased and speedier research for blackbird, starling and cattle egret control.

6. That county boards of education, high school superintendents and principals be strongly encouraged to maintain adequate vocational agriculture and home economics departments in high schools attended by rural youth.

7. That the State Grange voice its opposition to the tactics of the UFWOC, stating that the growers should not be forced into recognizing unions that their workers do not want, and that the State Grange use all its influence to strongly and vigorously oppose all boycotts of all food and fibers.

8. That the S.C. State Grange recognizes the necessity of a reserve food supply to meet the needs of America, and that we prefer that the food supply be stored by producers of cooperatives as far as is practical.

9. That the S.C. State Grange and the National Grange request USDA to lower the interest rate on loans for farm-stored products to a reasonable rate.

10. That the S.C. State Grange is concerned about the approaching land use legislation, and we urge our members to participate in groups of districts in order to have a part in formulating land use regulations or laws; that Grangers should serve on boards or committees; and that we must make our thoughts known and try to protect the farmers' interests.

11. That whereas, the farm population has become a very low percentage of the total population and continues to decline; and whereas, the Farm Coalition, representing some thirty-two farm organizations and commodity groups, presents the view of agriculture (with the exception of one organization); therefore, be it resolved that we support the efforts of the Coalition and urge that they seek the active support of nonagricultural groups to secure effective farm legislation.

TOBACCO

We commend the Secretary of Agriculture and the Tobacco Associates for their efforts to assist tobacco growers to maintain and promote the sales of flue-cured tobacco. We commend Mr. L. T. Weeks of the Agricultural Stabilization Board for his work on Title 16.

We recommend that tobacco growers be allowed to sell, lease, or transfer their tobacco allotments within the state.

We strongly recommend that USDA continue the grading service for tobacco, but that the grade cards be turned over so that the grade will not be visible to the buyers.

We favor the tariff reduction on tobacco and other products and feel that this will promote free trade on all commodities.

We strongly recommend that Congressmen and Senators continue quotas and price supports on tobacco.

We urge that all markets on the flue-cured industry have the same sales opportunity.

The S.C. State Grange earnestly solicits USDA and other departments concerned with production and marketing of tobacco to continue necessary study and research for improvement of present prices and marketing methods.

COTTON

We recommend that price differentials between grades of cotton be cut in half.

We believe that acreage should not be increased until absolutely necessary, resulting in demand market control.

We recognize that research is the foundation of knowledge, improved methods and new techniques in agriculture production and marketing. Therefore, we urge adequate funding for continued and accelerated research by USDA, the land grant colleges, industry and other agencies in the field of crop disease, pest and insect control, and new or expanded uses for cotton.

We support the Cotton Research and Promotion program and give full endorsement to the $1.00 per bale contribution for these purposes, as supported by growers in referendum.

LIVESTOCK

Whereas, the current market prices of livestock are forcing many farmers out of production; therefore, be it resolved that the S. C. State Grange, with the cooperation of the National Grange, asks that a study of the discrepancies of prices between the producers of livestock and consumers of meat be made by the proper officials.

The S. C. State Grange encourages the consumption of S. C. livestock products and supports such legislation as would protect the consumer against foreign imported meats by making it mandatory that the label show the kind of percentage of imported meats contained therein.

We recommend that a severe penalty be imposed on anyone convicted of livestock rustling.

We recommend that research in disease and disease control in swine and cattle be continued.

We recommend a more rigid enforcement of inspection for disease in cattle, swine, and all classes of livestock, especially those transported into South Carolina.

We urge that livestock producers seek closer cooperation between all segments of the livestock industry, particularly with county, state, and national livestock associations that are fighting to keep the livestock industry free of production.

FORESTRY

Whereas, the use of forest products has continued to increase to the extent that some areas in South Carolina are harvesting timber faster than the annual growth; and

Whereas, forest products rank high in the dollars produced in South Carolina; and

Whereas, new forest products, newly built industries, and other industries presently under construction all will greatly increase the pressure on our present acres, which could severely cripple the forest industry, employment and economy of our state.

Therefore be it resolved:

That it is imperative that efforts be immediately started to reforest and improve a large acreage in order to meet the expected doubling of demand for forest products by the year 2000.

That the S. C. State Grange requests an increase in the amount of funds appropriated for site preparation, planting, re-stocking stands, and control of fire, disease and insects, on privately owned timberlands and unneeded agriculture lands; and that the FICP program be continued.

That forest management officials use any necessary controls to eliminate the southern pine beetle in South Carolina.

That more funds be made available for research on the recycling of products derived from our woodlands.

FRUITS AND VEGETABLES

The State Grange favors a stepped-up program of research for new by-products in fruits and vegetables and continued research for insecticides to be used that are not harmful for human consumption.

DAIRY

We support the efforts being made by our government in attempting to maintain satisfactory prices on dairy products, whereby the dairy farmer can reasonably expect to stay in business and produce sufficient dairy products for the consumer at reasonable prices.

NATIONAL FOOD RESERVE DEBATE

Mr. HUMPHREY. Mr. President, I was pleased to participate yesterday morning in a debate with Senator DOLE at the annual convention of the American Bakers Association on the issue of food reserves. Morton Sosland, editor of the Milling and Baking News, presided.

It was a delightful, free-wheeling session. I stressed the urgency of the issue, and the need for the United States to adopt a sound food reserve program.

We have no hesitation in spending whatever is considered necessary for our national security needs. What need is more critical than adequate food for our national security?

Any sound reserve program must start with the basics and recognize the problems faced by our farmers and the need to provide both the right incentives and a measure of security to avoid boom and bust markets.

We cannot follow a policy of allowing any country to buy whatever it may desire if it places our own food supplies in jeopardy. All of our consumers—including the livestock and poultry producers—are entitled to being assured of adequate supplies of food and fiber.

To date we have not had to face the prospect of world food shortages, but the world now is knocking at the door for our products. We want and need a large volume of exports, but we also must not neglect our own needs.

Mr. President, I ask unanimous consent that my statement be printed in the RECORD.

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

REMARKS BY SENATOR HUBERT H. HUMPHREY

I am happy to appear here at the American Bakers Association convention to discuss the issue of food reserves.

I am somewhat amazed at the criticism your organization received last spring when you pointed out that we might run low on wheat.

Today, our Secretary of Agriculture is doing some jaw-boning to make certain that we have adequate crops for our needs. He has finally begun to realize that our exports must be monitored with greater care in order to protect our own consumers.

But he will not give consideration to the idea of a reserve program.

In spite of the unwillingness of the Secretary to debate the problem forthrightly, discerning individuals are raising the issue.

A grain reserve is especially important when we have shortages or an excess in production.

The recent discussion of grain reserves has been triggered because crop estimates have been sharply reduced. We have seen how, in recent weeks, adverse weather reports, the announcement of a grain purchase or the rumor of purchases have caused sharp fluctuations in the market.

We no longer have some of the old stabilizing mechanisms available. As a result, American farmers and housewives are subject to uncertainty and volatile price fluctuations.

MY GRAIN RESERVE LEGISLATION

We have developed a bill which I feel usefully addresses the needs of all our people. S. 2005 was originally introduced on June 15, 1973, and subsequently amended on February 19, 1974, and May 21, 1974.

A great deal of work has gone into the bill over the past year. Hearings were held in March, in addition to the sessions with farm groups, Senate staff members and the Congressional Research Service.

There are three main features of the bill. First, a modest Government-held reserve program is proposed for wheat, feed grains, soybeans and cotton. The Government-held reserve would be only one-third of the total reserves.

The total reserve level serves to give us a warning that we are nearing the danger point, and that we need to exercise added caution in our export sales. The two-thirds not owned by the government would be held by farmers and traders, and it would move freely in the open market.

The quantities envisioned under the reserve bill are as follows:

Wheat—600 million bushels in total reserve amounts and 200 million bushels is government owned.

Feed grains—40 million tons in total reserve amounts and 15 million tons is Government owned.

Soybeans—150 million bushels in total reserve amounts and 50 million bushels is government owned.

Cotton—5 million bales in total reserve amounts and 1.5 million bales is Government owned.

A second major feature of the bill is its market stabilizing features. These provisions come into play when the estimated total carryover is less than the total reserve amounts under the bill. The licensing system and the more careful monitoring of sales are examples of the increased attention to be paid if our reserves go below the total reserve levels.

The third main feature of the bill is the proposed increases in the floor or target prices to reflect the increased costs of production. The USDA concedes that farm production costs have risen, on the average, at least thirty percent in the last two years.

My bill would attempt to establish increased floor and loan prices which are realistic in terms of present production cost levels as follows:

Target or floor prices

Present law and proposed new level:		
Wheat	$2.05	$3.00
Corn	1.38	2.00
Cotton	.38	.50

The loan levels would also be increased accordingly and would be not less than 66⅔ percent of the target price.

OTHER FEATURES OF THE LEGISLATION

The bill would also extend the period of nonrecourse loans from one to three years. This would provide greater flexibility for the farmers in marketing their crops and enable them to sell at the time which is most advantageous to them.

The bill would also require that, when the total reserves drop below the levels set in the bill, the government could not sell from its reserve stocks for less than 135 percent of the target price.

And at no time could the government sell any of its stocks for less than the floor price. This would help seal off these reserves and assure that government sales did *not* serve to depress the market.

Another feature of the bill would be to move up the application of the cost escalator clause from 1976 to 1975. This would automatically adjust target prices to costs of production.

In my view this is a good bill, and I hope that Congress and the Administration begin to face up to the need for a food and fiber reserve program.

NATIONAL SECURITY IMPLICATIONS

Our government has no qualms about spending whatever sums are viewed as needed for our military establishment. There is no hesitation to procure and store ammunition for contingency purposes. These supplies are located at points all around the world, and the storage costs are far greater than what is involved in my modest food reserve proposal.

Our government has failed to recognize that food is a form of security. Other governments, as world food reserves declined to the 27-day mark, have scrambled to acquire a reserve to reduce their vulnerability.

FOOD RESERVES AND THE ECONOMY

With our vast productive capacity, there is no need for any American to go hungry, and there also is no excuse for continuing to subject the economy to the wild price gyrations of the past two years.

I have never seen a corporation which did not see the need to maintain an inventory, or a sound bank which did not have a reserve. Yet, our government has shown little hesitation about selling whatever foreign buyers will buy, without consideration for the needs of the American consumer.

We are told that reserves are a good thing for other countries, but not for the United States. It seems ridiculous to me that we do not have a reserve program if it is a good idea.

The notion that the private traders and dealers will maintain all the needed reserves is just not convincing. The companies are rightfully in business to make a profit, regardless of whether the buyer is Indian, Chinese, or American.

What is to prevent excessive sales to foreign buyers who make decisions on political as well as economic grounds? Who is to guarantee that food will be available for emergency needs at home or abroad?

These are public interest responsibilities which private traders are not prepared to handle, nor should we expect them to do so.

STORAGE COSTS OF A RESERVE PROGRAM

The opponents of a reserve program also argue that storing crops would entail great storage costs and would be a severe drain on the Treasury.

This argument has been used to throw sand in the eyes of those interested in a serious discussion of the issue.

A study carried out on this bill indicates that, with the government buying at lower prices during times of surplus production and selling at higher prices during periods of scarcity, there would be little if any net.

WILL RESERVES DEPRESS CROP PRICES?

Opponents of a government reserve allege that a reserve program would automatically depress agricultural prices. But a fair question would be the cost to farmers and consumers of our present agricultural policies. What have we all paid as a result of the price gyrations of the last two years?

I would concede that sizeable reserves, such as we had in earlier years, could be a price depressant.

However, it is hard to imagine that a government-held reserve of 200 million bushels of wheat, about one-tenth of this years' expected production, would seriously affect prices.

The reserve amounts in my bill are very modest, and some small stabilizing influence on crop prices would actually be desirable. Farmers confirm that they have almost no idea what to expect in the way of prices for their crops or cattle. How can they plan with any certainty under these circumstances?

And yet, Secretary Butz talks as if our farmers control their production like an assembly line.

While no one wants to see a return of the days where production was far above demand, it is clear that today's wildly fluctuating prices are leading to ruin for many of our most capable farmers who have been farming all their lives.

In this capital intensive era, we need to provide our farmers with some assurance of stable markets plus the expectation of a reasonable return. Agriculture is still one of the most risky ventures imaginable. My bill would help the farmer to minimize those risks.

My bill also would be beneficial to both our urban and rural consumers. It would be hard to even calculate the increased costs that our farmers and urban consumers have paid as a result of our depleted food reserves.

The Administration must recognize the need for a reserve program. This would give the family farmer a fair chance by avoiding the boom and bust prices which are beneficial to no one. Our consumers, which includes farmers, need a reliable supply of food and fiber and at reasonable prices. To do less invites continuing economic chaos which is disastrous for both farmers and consumers alike.

MEDICARE SUBCONTRACTING

Mr. RIBICOFF. Mr. President, tomorrow I am sending the following letter to the conferees on the HEW appropriation:

Dear Colleague,

As a conferee on the Labor-HEW Appropriations bill you should be aware of a specific section of that bill (section 210) which would hinder efforts to provide efficient administration of the Medicare program. This section should be deleted from the bill. It is a consumer rip-off.

As a former Secretary of Health, Education, and Welfare and as a member of the Senate Finance Committee I can testify to the importance of sound administration of our Medicare program whose cost already exceeds $10 billion. We must assure the best use of Medicare dollars in providing health benefits for older Americans.

Section 210 would prevent a medicare carrier or intermediary—principally Blue Cross, Blue Shield and some private insurance companies—from directly undertaking responsibilities which they now subcontract out to private companies unless they can show, under a distorted, discriminatory and unworkable formula that estimated costs of direct operation in the first year would be the same or less than they would have been if put out for bids. This clearly is an almost impossible task since a potential subcontractor must include his start-up and conversion costs.

Look at the effect of Section 210:

First. Once a medicare carrier had subcontracted data processing functions, for whatever reason, it could not return to performing those functions itself without incurring the liability of exposing its own private funds to potential non-reimbursement of costs incurred in administering a Government program.

Second. There is no provision whatsoever for an analysis of the quality of performance or results of the opposing operations.

Third. It seems incongruous to impose a potential liability on one carrier which, perhaps for very good reason, decided for a specific period of time to subcontract its data processing, without imposing the same obligation on those who have operated their own in-house systems from the beginning. This latter group would include Aetna, Prudential, Equitable, Occidental, and other major organizations.

Fourth. Because of the actual facts of the history of medicare subcontracting, only one organization would profit in any way from such a provision because if conversion, installation, and startup costs are to be included in the computation, it would be virtually impossible for even another potential subcontractor to be successful.

Fifth. Particularly the Blue Shield plans woudl have a serious legal problem in taking a course of action which could expose their own subscriber funds to nonreimbursement from medicare. The attitude of State insurance commissioners to such an action would seem apparent even if the strictly legal implications were overcome. Plans which are now contemplating or have decided to resume their own data processing responsibilities would find it extremely difficult to do so in view of the potential loss. A very reasonable question on their part would seem to be, why should we assume this liability for the administration of a Government program if we can totally escape it by continuing to subcontract?

Sixth. The basic medicare law provides that intermediaries and carriers will be fully reimbursed the actual cost of their operations so long as those costs are reasonable. To the extent that they are unreasonable, the program can deny reimbursement and the matter is then subject to review and decision by the Armed Services Contract Appeal Board. This is quite foreign to either a legislative provision or an administrative directive that could ultimately require every carrier to provide data processing services on a subcontracting basis. This latter decision, under the intent of the law, should remain the prerogative of the private sector organization. If it fails to perform its contractual responsibilities, the ultimate protection to the Government lies in nonrenewal.

Who benefits from this special interest provision embodied in Section 210?

It appears that the major beneficiary is H. Ross Perot's company, Electronic Data Systems, Inc. which does subcontracting work for at least 10 of the 47 carriers who administer Medicare. Contracts held by EDS in several states are expiring. This amendment, which appears to have been drafted with the assistance of EDS, would make it more difficult for Medicare carriers to terminate EDS services.

Under Section 210 if a Medicare carrier's contract with a computer firm is expiring and the carrier wants to begin doing the computing work itself, the carrier must show that its cost would be less than if it continued to use the computer firm. And the carrier could not obtain reimbursement for the initial start-up costs usually involved in switching to a new system.

This might discourage the carrier from dropping the subcontractor, even though in the long run the carrier might be able to operate more cheaply doing its own computer work. We should be encouraging competition to provide the best Medicare administrative services, not looking in companies which may or may not be doing an effective job.

This amendment clearly and simply is a consumer rip-off of Medicare and the taxpayer. It provides special protection for a big business interest at the expense of the consumer, the Medicare program and efficient government.

If Americans are to have confidence in Medicare it must be administered fairly and efficiently.

I hope you will delete section 210 from the bill.

Mr. President, I ask unanimous consent to have printed in the RECORD an article from the Des Moines Register.

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

[From the Des Moines Register, Sept. 14, 1974]

PROPOSED LAW SEEN AIDING PEROT'S MEDICARE CONTRACTS

(By James Risser)

WASHINGTON, D.C.—Legislation that would assist Texas millionaire H. Ross Perot in retaining his contracts for the computer processing of government Medicare claims has been approved by the Senate Appropriations Committee, it was learned Friday.

The provision was added to a $33-billion labor, health and education bill during a closed-door committee session Wednesday. The bill is slated for Senate floor debate Monday.

THE EFFECT

The measure would, in effect, discourage carriers who administer Medicare in various states from dropping Perot's firm—Electronic Data Systems, Inc. (EDS)—and doing the computer work themselves.

Six-year contracts held by EDS in several states are on the verge of expiring, and some of the state carriers are reportedly considering not renewing them.

An aide to Senator Ted Stevens (Rep., Alaska), who sponsored the provision in the committee, acknowledged that a Perot lobbyist had been consulted in its preparation.

But the original idea for the measure came from Steven's own concern about the high costs and slow processing of Medicare claims, the aide, Lyle Rushton, said.

The legislation will foster competition and reduce costs for Medicare computer work, he said.

The EDS lobbyist was Carl Arnold, a former oil lobbyist who was identified recently as having funneled sizable contributions from an oil company and others through dummy committees and into the 1972 presidential campaign of Representative Wilbur Mills (Dem., Ark.).

MILLS CONTRIBUTIONS

Two top EDS executives also have been identified as having secretly given $100,000 to Mills, who as Chairman of the House Ways and Means Committee has primary jurisdiction over Medicare.

Medicare carriers in each state—often that state's Blue Cross-Blue Shield organization—may do their own computer processing and get reimbursed by the federal government. Or, they can hire a subcontractor to do the work and obtain federal reimbursement for the amounts paid to the subcontractor.

Perot's firm is now the only one with any significant Medicare processing business, and a special government study committee recently criticized the lack of competition in the field. It was not clear Friday how the Stevens amendment could encourage other firms to compete.

Rushton said Blue Cross-Blue Shield opposes the Stevens amendment.

The House intergovernmental relations subcommittee has criticized the fees paid to EDS as possibly being excessive, has questioned the quality of EDS' work, and has heard testimony that EDS makes profits on Medicare business of up to 100 per cent.

The firm processes Medicare claims in 10 states, including Iowa. Its contracts include such large states as Pennsylvania, New York and California.

KANSAS SAVINGS

Kansas recently dropped the Perot firm and reportedly is doing its own computer work at substantial savings.

Gary Sellers, a Senate Appropriations Committee staff member who worked with Senator Stevens' office in preparing the amendment, said it would work this way:

If a carrier's contract with a computer firm is expiring and the carrier wants to begin doing the computer work itself, the carrier must show that its costs during the first year would be less than if it continued to use the computer firm. And the carrier could not obtain reimbursement for the initial start-up costs usually involved in switching to a new system.

This might discourage the carrier from dropping the subcontractor, even though in the long run the carrier might be able to operate more cheaply doing its own computer work. Sellers acknowledged.

Under present law, a Medicare carrier who switches to an "in-house" computer system is reimbursed for "reasonable" start-up costs. Sellers said the reimbursement provision is being abused.

When a carrier decides to do its own computer work, it is "squeezing out" its subcontractor and reducing competition, Sellers said. "There's a value to maintaining competition," he said.

Once initial costs are taken care of, many carriers probably can process Medicare claims more cheaply themselves than by hiring a subcontractor, Sellers admitted, predicting that eventually all carriers will do their own computer processing despite the obstacles of the Stevens' amendment.

TRANSPORTATION OF HAZARDOUS MATERIALS BY AIR

Mr. HARTKE. Mr. President, for several years I have been concerned about the transportation of hazardous materials in passenger aircraft. Most people who ride commercial airplanes do not realize what is in the cargo hold beneath their seats.

Mr. President, WNEW Radio News in New York City has been running a series on the transportation of hazardous materials by air. I ask unanimous consent that an installment in that series be printed in the RECORD.

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

THE HIDDEN PASSENGER—AN UPDATE

(By John and Christine Lyons)

THE HIDDEN PASSENGER: PART 16

LIZ RICH. I first became aware of the problem of carrying hazardous or radioactive materials on passenger planes . . .

LYONS. Liz Rich . . . of the organization, "Stewardesses for Women's Rights.

LIZ RICH. . . . and I found all of the various frightening things that are carried on passenger flights like explosives and acids and radioactive materials, disease viruses . . . things I had no idea of. Even if they're controlled and packed properly, I wonder to myself what happens if that flight has an emergency.

LYONS. The Airlines and the FAA say the hazardous material going on passenger planes is safely packed and carefully loaded.

FOWLER. A 727 aircraft . . . one man would unload, load all the baggage or cargo that was to be loaded and complete the operation in 30 minutes.

LYONS. Robert Fowler . . . an official of the union which represents cargo handlers for several airlines in San Francisco. He told me about the general practice of having one man sitting in the cargo bin of an airliner loading it by himself.

FOWLER. Here's this conveyer belt shootin' everything back up to him and he' just a receiver like a baseball catcher . . . and he just takes it and whips it . . . you know. He'll throw it, toss it, and then closes it up and that's it.

LYONS. Next . . . "The Twin Cities Take Action" . . .

THE HIDDEN PASSENGER: PART 17

Mayor COHEN. What the ordinance does is provide a method to monitoring radioactive shipments that come into our airport. . .

LYONS. Mayor Lawrence Cohen of St. Paul, talking about an ordinance recently passed by the Twin Cities Airport Commissioner. Starting on the fifteen of July, all radioactive material moving thru the Twin Cities Airport will be monitored with geiger counter devices to ensure they are not giving off more radioactivity than the law allows. Cargo handlers at the airport will begin wearing radiation sensitive badges to make sure they are not exposed to too much radioactivity. Mayor Cohen says the plan is simply to enforce the Federal laws.

Mayor COHEN. The Feds . . . they say, Oh, don't do anything; we're doing something about it. Well, hell! They haven't even enforced the restrictions that they enacted way back when. They object to anybody doing something in the field that they're not doing anything in. We've been hearing from Air port Commissioners and union representatives. They want to start enacting this all around the country. And I think what we may just have done here is gotten a whole lot of people thinking about a problem that weren't thinking about it before and maybe we'll be responsible for the Fed to get off their dead asses and start doing something about a rather significant problem.

LYONS. Next . . . "Some Pilots are Taking Action". . .

THE HIDDEN PASSENGER: PART 18

LYONS. On Friday, pilots at TWA informed the company. "Either you kick hazardous materials off passenger planes by the 15th of June or we will." This afternoon, the pilots and the company met and the pilots say TWA may, be ready to cooperate, possibly making any pilot action unnecessary. There are others very interested in what's going on.

Mayor COHEN. This is a safety factor and I'm with the airline pilots. I'm with them 100 percent.

LYONS. Mayor Lawrence Cohen of St. Paul, who has been crusading against hazardous cargo on passenger planes for several years.

Mayor COHEN. They're responsible for that airplane. They're in charge. They're in charge really of the safety of their passengers and God bless 'em. If they say that they're not gonna carry 'em, I'm with 'em 100 percent and I'd like to see them push it.

LYONS. Liz Rich of the organization, "Stewardesses for Women's Rights."

LIZ RICH. The TWA pilots who are making an issue of this with this one company certainly are a courageous example for the rest of the industry. I wish every airline pilots association would take that similar action. We would certainly join them.

LYONS. Next . . . "How's Willie Evans?"

THE HIDDEN PASSENGER: PART 19

WILLIE EVANS. (phone ring) Hello.

LYONS. Hi. John Lyons. How ya doin'?

EVANS. Oh, pretty good.

LYONS. Feelin' any better?

EVANS. No. I can't do nothin' without those pills in my stomach yet.

LYONS. Willie Evans is a delivery truck driver in Baton Rouge, Louisiana. He picked up a package of unshielded radioactive material at the airport in the beginning of April . . . after the package traveled on two passenger flights. There have been estimates, Evans received a potentially fatal dose of radioactivity. I asked him what the doctors say.

EVANS. Nobody told me nothin'. Nobody wrote me a letter and say, Well, Willie, you're good . . . and like that. All the doctor told me in New Orleans with the radioactive people was: You gonna live; you gonna live. I don't feel like I'm dying now . . . gonna die. I know I'm gonna die someday, but I don't feel like I'm . . . you hear what I'm talkin' about. It's just that they should tell me something. I mean . . . I'm human . . . I ain't no kid and I ain't no animal.

LYONS. The Louisiana Board of Nuclear Energy says Evans did not receive a fatal dose of radioactivity, but that only doctors can judge whether he is sick because of radiation. Willie is still trying to get an answer.

Next . . . "The Pilots Say 'No' " . . .

THE HIDDEN PASSENGER: PART 20

JIM MCENTYRE. Trying to chase down what's permitted on passenger airplanes is like trying to chase down a will o the whisp.

LYONS. Captain Jim McEntyre . . . Airline Pilots Association Hazardous Materials Chairman at TWA . . . talking about a demand the pilots have made of the company.

MCENTYRE. What we want to do right now is simply say, Okay . . . we'll restrict the carriage of all hazardous materials other than the radioactive isotopes properly shielded down where they won't do any damage to the people above and put it all on the cargo airplane. Then we can concentrate our efforts in this area and I think we can come up with some solutions.

LYONS. The pilots have told the company they will not carry hazardous materials on passenger planes after Friday. Following a meeting with TWA, a pilots' spokesman said there appear to be areas of cooperation which may make the pilots' action unnecessary. They'll be meeting with the company again tomorrow.

Next . . . "This is Serious Stuff" . . .

THE HIDDEN PASSENGER: PART 21

JIM MCENTYRE. When we talk about hazardous . . . we're not talking about something that is kind of nice to play around with, but

don't get too close. We're talking about something that's gonna kill you.

LYONS. Captain Jim McEntyre . . . Airline Pilots' Association Hazardous Materials Chairman at TWA. The pilots at TWA have told the company either you keep hazardous materials off passenger planes or we will by refusing to fly the materials. The pilots say they're hopeful of getting an agreement from the company before a Friday deadline.

MCENTYRE. I've been in the accident investigation business for the Airline Pilots Association for about fifteen years, but you never forget the first time you walk up to a stinking hulk that was once a beautiful airplane . . . you never forget it as long as you live. And the first thing you say when you walk into something like that is. . . . Someday, I want to be able to prevent one. And that's where we are right now.

LYONS. I'm John Lyons.

UTILIZING THE REDUCED-PRICE SCHOOL LUNCH PROGRAM

Mr. HUMPHREY. Mr. President, today's Washington Post carries a very timely article on the reduced-price school lunch program, by Marian Burros.

It points out that many parents are not aware of the existence of a reduced-price school lunch program. Many school officials know about the program but do not want to be bothered with the additional paperwork.

According to the USDA, 9.3 million of the 11 million children eligible for free lunches received them during last year. However, reduced-price lunches went to only 1 million of the 5 to 6 millon children eligible for them.

In this period of rapidly increasing food prices, this program meets an urgent need, and it should be given greater public attention. States can "make" 10 cents on each reduced-price school lunch which can be utilized to meet the administrative costs.

Mr. President, I ask unanimous consent that the article be printed in the RECORD.

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

THE LUNCH THAT'S NOT FOR SALE

(By Marian Burros)

Only five per cent of the school children throughout the country who were eligible for reduced-price school lunches last year received them.

In hundreds of instances, school systems simply refused to offer them, because of the extra work it would entail.

The reduced-price lunch, which costs from 10 to 20 cents, will be available to many more children this year, including all those in the metropolitan Washington area. But the American Food Service Association and federal school lunch officials are worried about "foot dragging school superintendents" who think "the added paper work is just too much trouble."

Josephine Martin, an association official and administrator of the Georgia school lunch program, is convinced that if school officials realized they could "make" 10 cents on each reduced-price lunch they sell, they'd stop worrying about the extra work.

For each reduced-price lunch served, the federal government pays the school 39½ cents; for each free lunch it pays 49½ cents. In other words, if the school system charges 20 cents for a reduced-price lunch, the school can "make" 10 cents on it. Officials are entitled to keep this "profit" to offset any losses in the free lunch program.

Edward Heckman, Administrator of the Food and Nutrition Service in the U.S. Department of Agriculture, says "the 10 cent differential was deliberate." It is the "carrot" to entice school administrators to participate.

But there has been a lack of communication between USDA and many school food service directors who do not realize the profit potential in reduced-price lunches.

The Virginia director of the school lunch program, John Miller, was unaware that the regulations could be interpreted to earn extra money for the program until a reporter called it * * * dictions in Virginia, 49 will not be offering reduced-price lunches this year.

The situation is different in Maryland. The state will not allow schools to charge more than 10 cents for the lunches. Maryland has three counties which definitely will not have the cheaper meals: Anne Arundel, Carroll and Dorchester; three others have not made a decision. According to the school lunch director for the state, Ruth Gilgash, "Many teachers don't realize the impact a lunch could have on a child."

A Yonkers, N.Y. administrator said that the city was "losing too much money" on (the lunches) but was going to reconsider its position if "that extra dime really worked."

Mrs. Martin, administrator of the Georgia school lunch program, says those who have turned down "that extra dime" feel "they are not in the business of feeding children; they are in the business of educating them.

"But they miss the point. They think only about what is administratively feasible and not what is in the best interests of the child. Besides, they say, moderate-income families will not apply; they have too much pride."

The USDA estimates that last year, 9.3 million of the 11 million children eligible for free lunches, received them. Reduced-price lunches went to only one million of the five or six million children eligible.

It is mandatory for the nation's school systems to offer free lunches to all who qualify. Part of the regulation requires public announcement of free lunch availability.

But federal law makes the availability of reduced-price lunches a local option. Many parents are not even aware of their existence.

The government-approved school lunch is called Type A and whether it's paid for, free or offered at a reduced price, it must be the same for each child in the school.

The school is required to have a ticket system for lunches which does not indicate whether the child has paid for the lunch or not.

These cheaper meals are available to families whose income is 75 per cent higher than the income level of families whose children receive free lunches. Federal legislation temporarily establishing this figure, was passed in November, 1973, but was not implemented by USDA until January, 1974. The provision was made a permanent part of the National School Lunch Act this July.

Mrs. Martin calls the legislation a "congressional response to the economy by making provision for moderate, or near poor, families."

With the soaring rate of inflation and increasing costs of school lunches, more and more families are becoming eligible for reduced-price lunches.

Further, USDA studies show that for each penny the price of a school lunch rises, one per cent of the students drop out of the program. The price of school lunches rose by five cents this year in Alexandria, Fairfax, Montgomery and Prince George's counties. Prices were increased last year in the District, Arlington, Loudoun and Prince William counties.

If the American School Food Service Association reaches its goals of free school lunches for everyone by 1980, administrators won't have to worry about paper work for different kinds of meals. Mrs. Martin says, "The sagging economy may cause it to happen sooner."

PUGWASH CONFERENCES ON SCIENCE AND INTERNATIONAL AFFAIRS

Mr. KENNEDY. Mr. President, for the past 2 decades, the Pugwash Conferences on Science and International Affairs have been drawing together many of the world's top scientists and international affairs specialists to discuss important issues of public policy, and to make recommendations for action.

These conferences, initiated by Albert Einstein and Bertrand Russell with the support of Cyrus Eaton, have contributed to increased understanding among nations, even at times when communication has been poor between statesmen and political leaders. For example, Pugwash must be given considerable credit for establishing contracts and relations that have developed into today's détente between the United States and the Soviet Union. In the future, forums such as the Pugwash Conference may be invaluable in helping to improve relations with China.

From August 28 to September 2, the 24th Pugwash Conference was held in Baden-bei-Wien, Austria; 120 scientists and specialists in international affairs from 31 countries took part, along with 15 observers from 8 international organizations. The conference took decisions on a number of important issues affecting peace and security. Its six working groups dealt with arms control, European security, the Middle East, arms control in other areas, scientific cooperation, and the energy problem. Two plenary sessions dealt with the spread of nuclear weapons and the ethical and social problems of molecular biology.

The Conference was particularly concerned with the problem of nuclear proliferation, and strongly supported early conclusion of a Comprehensive Test Ban Treaty.

It is especially interesting to note that the Middle East working group included individuals from Israel, Egypt, and the Palestine Liberation Organization, and successfully drafted a report on the critical issue of security in the Middle East.

Mr. President, I ask unanimous consent to print in the RECORD a statement on the Pugwash Conference, prepared by its Continuing Committee, and I commend his statement to my colleagues.

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

STATEMENT FROM THE CONTINUING COMMITTEE OF THE 24TH PUGWASH CONFERENCE HELD IN BADEN, AUSTRIA, AUGUST 28–SEPTEMBER 2, 1974

The 24th Pugwash Conference on Science and World Affairs, organised by the Austrian Pugwash Group, was held in Baden from 28 August–2 September 1974. It was attended by 120 participants from 31 countries. In addition, 15 observers from 8 international organizations assisted in the discussion.

As in previous Pugwash Conferences, the participants, acting as individuals but utilizing their technical competence and gov-

erned by their concern for the security and well-being of mankind, attempted—in an informal and free exchange of views—to find solutions to some of the most pressing problems of the day, particularly those arising from the progress of science and technology.

Despite continuing detente, events of the past year—including the October war in the Middle East and the associated oil crisis, the explosion of a nuclear device in India and the continued high level of nuclear weapons tests by the nuclear weapons states, the agreements to provide nuclear technology to countries in the Middle East and Persian Gulf area, the continued growth of nuclear arms in the nuclear powers, the widespread starvation and suffering resulting from continued conditions of drought in the sub-Sahara, and the conflict in Cyprus—all serve to underline the fragility of the international situation. There was a very widespread feeling among the participants in the Conference that the present critical world situation requires firm and resolute, if not drastic, measures on the part of all the nations of the world, but most especially on the part of the great powers, to reverse the current trends with constructive initiatives.

All these events emphasized the need for Pugwash to renew its pledge—stated in the Russell-Einstein Manifesto which gave rise to the Pugwash Movement, as well as in the Vienna Declaration adopted at one of the earlier Pugwash Conferences in Austria—to maximise its efforts towards halting the arms race, to prevent the spread of nuclear weapons to other nations, to close the economic gap between rich and poor countries, and ultimately to achieve general and complete disarmament.

The theme of the Conference was "Disarmament, Energy Problems, and International Collaboration". Under this heading, the Conference divided into six Working Groups on: "Current Problems of Arms Control and Disarmament", European Security and Force Reductions", "Peace and Security in the Middle East", "Security and Arms Problems in Other Areas", "Different Approaches to International Cooperation in Science and Technology", and "The Energy Problem".

In addition, there was a plenary session in which the present status of the nuclear arms race and of the negotiations to achieve meaningful arms control measures, mainly in relation to the Non-Proliferation Treaty, and with particular reference to the events mentioned above, was debated by the whole Conference. This debate provided useful background material for the more detailed discussions in the Working Group on "Current Problems of Arms Control and Development".

An informal evening's discussion was devoted to scientific and social implications of certain recent developments in molecular biology. These developments involve the production on a large scale for experimental purposes of common micro-organisms endowed with new properties. Such micro-organisms could escape the laboratory and be widely disseminated in human and animal populations with potentially dangerous effects that are unpredictable at our present level of knowledge. The meeting endorsed a call issued earlier by a group of American molecular biologists for a moratorium on this area of research until the matter had been thoroughly explored by an international group of qualified scientists early next year.

The Conference was opened by Dr. Hertha Firnberg, Minister for Science and Research, and in the closing session the Conference was privileged to be addressed by the Federal Chancellor of Austria, Dr. Bruno Kreisky, a friend of Pugwash of long standing, on the subject of Science and Politics.

The following was prepared by the Continuing Committee on the basis of the main conclusions and recommendations from the Working Groups.

CURRENT PROBLEMS OF ARMS CONTROL AND DISARMAMENT

In spite of positive trends in international relations, a number of developments are causes for concern about the increase in nuclear weapons in the present nuclear weapons states (vertical proliferation) and the likelihood of their spread to nations not now possessing them (horizontal proliferation). These include:

A number of new strategic weapons programmes; the likelihood that changes in doctrine and weapons may be in the offing which will make nuclear war a more credible instrument of policy and, therefore, possibly more likely.

The recent test of a nuclear device by India, and continued testing by the five nuclear weapon powers including in the case of France and China, tests in the atmosphere; and conclusion of agreements to supply nuclear power reactors to states in the Middle East and Persian Gulf area, some of which are not parties to the Nuclear Non-Proliferation Treaty (NPT).

It is to be hoped that the promises of the June 1974 Moscow summit of progress in SALT will be speedily realized; but it must be noted that there has been little concrete progress in limiting strategic arms so far.

The viability of the NPT is also in jeopardy. Widespread accession to it is a matter of great urgency.

Although opinions differed about the value of the threshold test ban treaty proposal, there was unanimity that a comprehensive treaty banning all nuclear weapons tests should be concluded as soon as possible.

In the view of some members of the Group there is substantial economic benefit to be derived from the use of peaceful nuclear explosion (PNE). Others disputed this, and in particular believe that the likelihood of the use of PNE's, making the horizontal proliferation of nuclear weapons more likely, offsets whatever economic advantage there might be. There was a view that if PNE programmes are to be continued, they should be carried out under effective controls. Others believed no more nuclear explosions of any kind should be conducted.

There was considerable discussion on the subject of nuclear-free zones, and in particular about the possibility of one in the South Asian region. There was agreement that further study of a South Asian zone and others would be desirable.

The merits of unilateral arms control and disarmament moves were discussed. There was agreement that in several instances unilateral moves followed by reciprocated responses have been an effective technique for arms control and disarmament. It was, however, noted that this approach cannot be a substitute for a comprehensive and agreed disarmament plan. It was also pointed out that several arms control and disarmament initiatives could now be undertaken that would increase the national security of the parties involved even in the absence of reciprocation. Examples provided by various participants were the reductions in military budgets and the elimination of less reliable components of strategic forces.

The usefulness of unilateral initiatives in bringing about the only real disarmament achieved thus far, namely the elimination of biological weapons, was noted. The timeliness and usefulness of such an approach to the elimination of chemical weapons was emphasized.

The presentation in April of the Japanese draft chemical weapons convention, aiming at comprehensiveness, and the intention of the governments of the United States and the Soviet Union to undertake a joint initiative within the CCD, as a potential way out of the impasse in the CW negotiations, was welcomed. It was also noted that chemical weapons are not solely a superpower problem. The security implications of chemical weapons for the confrontations that exist between certain of the smaller countries, as in the Middle East, should therefore be given greater emphasis in the present multilateral negotiations.

It was emphasized that proliferation of chemical weapons is a very real danger against which new internationally-agreed constraints are urgently needed. Attention was drawn to the great urgency of the ratification by all countries, preferably without any reservations or limitations, of the 1925 Geneva Protocol on chemical and biological warfare.

Ratification without further delay of the 1972 Biological Weapons Convention by the depository governments was urged.

The tendency for military expenditures to increase, despite the settling of a number of acute international problems and despite developments towards détente, was deplored. It was emphasized that the reduction of military expenditures as a result of multilateral, regional or bilateral agreements, or by unilateral action, was highly desirable, and that a portion of the savings should be devoted to improving the economic and social development of the less developed nations.

Some participants emphasized that the fact that the arms race has neither been halted nor even slowed down, in spite of many agreements arrived at in the field of arms control and disarmament, implies the need for a more comprehensive approach. Such an approach would not only lead to faster progress towards disarmament, but might also reduce the significance of temporary asymmetries, lessen the demand for essential equivalence at each step and enable the reinforcing effect of verification for several types of measures to overcome some of the problems of verification.

There was unanimous agreement that a world disarmament conference, in which all nuclear powers and other military significant states participated, could help promote the cause of disarmament, either by facilitating agreement on disarmament measures or by alerting the world to the present lack of progress in this direction.

EUROPEAN SECURITY AND FORCE REDUCTIONS

The prevailing trend in today's Europe is the process of détente and growing confidence among states. Peaceful co-existence between all states has now become an established principle of international relations in Europe. Further confidence-building between East and West must involve organizations, groups, and individuals as well as governments. Maintenance of peace in Europe would also have great importance for the promotion of peace in other parts of the world.

Security cannot be considered in military terms alone. Political, economic, historical, social, cultural and psychological factors all play an important role in perceptions of security. In particular, increased co-operation among all states in these fields would contribute to their security.

The discrepancy between the improving political climate and the lack of any reduction in armaments or forces is a cause of grave concern. While there is currently no basis for concern that either NATO or Warsaw Treaty powers would deliberately attack the other, the heavy deployment of weapons and forces in Europe increases the chances that any eruption of violence will escalate very rapidly. In particular, the large number of nuclear weapons in Europe constitutes a major risk.

The Conference on Security and Co-operation in Europe (CSCE) is a major positive element in the ongoing process of détent. This conference, reported to be making good progress, should be brought to a successful

conclusion as soon as possible, and some kind of organized continuation is necessary to achieve a number of long-range goals as defined by the Conference. Measures for their achievement could be codified in an all-European Treaty, or a number of treaties.

Measures of arms control and disarmament must provide undiminished security for all the states of Europe. Thus, the Vienna negotiations should preserve the existing military balance but at lower levels of armaments, manpower, and costs.

The key to success at Vienna would lie less in details and formulae than in the political will of the nations involved. Otherwise it will always be possible for technical complexities and asymmetries to frustrate achievement of real force reductions. Eventual disbandment of the military structures of NATO and the Warsaw Pact seems to be desirable.

The existence of multilateral talks should not rule out measures for arms reduction taken outside the framework of those talks. Such measures could greatly activate the negotiations. Because of the dangers associated with the present levels of tactical nuclear weapons in Europe, and the general agreement that these levels are excessive on both sides, reduction of these weapons is an especially important possibility for action both inside and outside the Vienna talks.

Another suggested possibility could be bilateral agreements, between individual East and West European countries, for early force reductions and reduction of defence budgets. The same "twinning" could also help reach economic, cultural and other exchanges on a bilateral basis.

Fears were expressed that a Western European nuclear force would have an adverse effect on the sense of security and détente, accelerate the arms race, and perpetuate the existing division of Europe. The full implementation by all European countries of existing arms limitation treaties, including the Partial Test Ban Treaty and the Non-Proliferation Treaty, should therefore be completed.

Specific proposals to establish nuclear-free zones in the Nordic countries, in Central Europe, in the Balkans, in the Mediterranean and in the Middle East were discussed, as was a combination of several such zones to form a large one—possibly reaching from the Mediterranean to the Arctic. It was agreed that the establishment of such zones would constitute a major disarmament measure.

Finally, neutral and non-aligned states in Europe could play a positive role in negotiations on European security, and should take part in implementing the general confidence-building measures. In addition, these states contribute to arms control by remaining neutral and non-nuclear. The territory of non-aligned states, which covers a large part of the dividing line between East and West in Europe, is in itself a valuable military constraint, and should be respected as such.

PEACE AND SECURITY IN THE MIDDLE EAST

The Working Group on Peace and Security in the Middle East met in the same constructive atmosphere as all the other groups. The discussions of problems of the confrontation between Israel and the Arab states and of the problems of the Palestinian people, which included participants from all the parties concerned, served to advance understanding of the issues. It is our fervent hope that such discussions, in the same atmosphere, can be continued on appropriate occasions in the future, and that the forthcoming negotiations in Geneva will be appreached in an equally constructive manner.

SECURITY AND ARMS PROBLEMS IN OTHER AREAS

There has recently been a considerable increase in the arms trade in relatively sophisticated weapons. This is due partly to the increased accumulation of oil revenues, especially in the Persian Gulf area. The escalation in military expenditure by less developed countries has dangerous implications, not only affecting the political relationships between states but also the prospects for development and for promoting human welfare. The fact that this situation has occurred at the same time as famine in several parts of the Third World highlights the need for fresh initiatives. A limitation on arms transfers on the part of the main producers must be linked to steps towards disarmament. With more government control over the trade in arms there is perhaps a better opportunity for direct popular pressures to limit such trade.

The fluid international economic situation might, on the other hand, lead to sudden changes in relative military strengths in different parts of the world, and stimulate arms sales and purchases.

The problem of Southern Africa emphasizes the particular responsibility of advanced countries in Europe and elsewhere to consider carefully the consequence of their actions in transferring weapon and other military technology to South Africa. The white minority regime there is expanding facilities for the enrichment of uranium and the development of nuclear technology. The Group urged that the scientific community should not contribute, directly or indirectly, to South Africa's military programmes, and to influence the full enforcement of the UN resolution on arm sales; oil sanctions might be reconsidered.

Other matters discussed included the composition and functions of UN Peacekeeping forces and the importance of preventing the development of techniques for control of the climate and changing the environment for military purposes.

DIFFERENT APPROACHES TO INTERNATIONAL CO-OPERATION IN SCIENCE AND TECHNOLOGY

International co-operation in Science and technology may have different objectives which cannot be maximised in any one programme. While collaboration among more developed nations normally has as its main objective the production of new knowledge related to their own development, this collaboration should also include components of direct value to science and technology in the less developed countries (LDC's), such as training opportunities.

International co-operation in science and technology for accelerating development in the LDC's has hitherto been characterized by two main approaches: (a) collaboration between scientists of the more and the less developed countries to deal with the problems of less developed regions of the world; (b) strengthening the scientific and technological capabilities of the developing world to respond to national and regional needs.

These two approaches are not mutually exclusive. Some existing institutions and programmes follow both approaches, but too many others are directed solely towards the first and too few towards the second. We urge that from now on international ventures, such as the UN World University, should emphasize the second approach.

International collaboration has so far taken the easier path by concentrating on scientific prograss rather than on technological development in the LDC's. Medicine and agriculture are notable exceptions, but even in these fields scientific concerns have sometimes taken precedence over the effective application of knowledge to immeate problems of developing societies.

The promotion and application of science and technology for development would be greatly served by encouraging more collaboration among LDC's. This would not only increase indigenous capabilities but would also permit more effective utilization of the limited resources available for the development of their technology and science. Furthermore, collaboration between LDC's who share common problems would help in the selection, adaptation and exploitation of imported technologies. However, the introduction of imported technologies must not interfere with either the development or utilization of indigenous technologies. All too often considerations based on short-sighted economic assessments hinder the development of local research and development as well as of industries.

In recent years, considerable efforts have been directed towards the establishment of international institutes, by governments as well as international organizations. Such institutions are frequently designed to fulfill very specific objectives, for example, acquisition of new scientific information of world-wide interest, or provision of centralized research facilities which cannot be afforded by the individual countries. However, at times it may be more effective and economical to build on existing institutions. This would enable better integration of the effort into the local institutional fabric, including the universities, and would provide greater opportunities for long-term funding. When such an approach is not possible, creating a network of regional institutes may be preferable to establishing a single institute.

Identification of problems suitable for international collaboration has suffered from inadequate mechanisms for determining research priorities at national, regional and international levels. Misinformed, although well-meaning efforts of international collaboration have sometimes led to the distortion of national and regional priorities. On other occasions the selection of research areas has been based more on political than scientific considerations, particularly in some bilateral agreements. At present the main responsibility for these problems is outside the scientific community. We feel that greater involvement of scientists and technologists in decision-making and programme management would help greatly to remove these deficiencies.

Important questions yet to be answered are:

1. Can international co-operation contribute constructively to the development of indigenous capability and, if so, how?

2. Can international co-operation be applied to the processes of selection, adaptation and innovation in those areas of technology which are now largely controlled by commercial interests?

THE ENERGY PROBLEM

The present global energy problem is not a matter of exhaustion of the potential energy resources. Among its principal elements, instead, are: the conflict between energy's positive contribution to human well-being in terms of material prosperity and its negative contribution through environmental damage; the inequitable distribution of energy use and energy resources among the countries of the world; selection, timing, and financing of energy technologies in the face of environmental and economic uncertainties and rapid growth; and economic pressures arising from rising oil prices. The main conclusions and recommendations of the Group were as follows:

1. The prosperity gap between rich countries and poor ones is unacceptable and dangerous, and should be narrowed. The complex link between energy use and prosperity varies with the social and economic context, but it is a reasonable generalization that narrowing the prosperity gap will require much higher levels of energy use in the poor countries than now prevail there. Owing to environmental, technical and economic considerations, however, the global rate of growth of energy use should be substantially reduced from its recent value of 5% per year.

These points imply that growth of energy use should be drastically slowed in the richest

countries, and the leeway provided by these "savings" used to maintain and accelerate growth of energy use and corresponding development in the poor countries. The needed progress along this path would require massive transfer of capital and technical resources from richer countries to poorer ones, extensive programmes to increase the amount of material prosperity derived from each unit of energy used in both rich countries and poor ones, and a major slowing of population growth in both rich countries and poor ones. The difficulties of achieving these goals were recognized. However, the majority of the Group felt that the stresses which would accompany a continuation of historical trends of energy use and allocation would be so severe that these trends must be altered despite the obstacles.

The following tentative suggestions for implementing the needed rich-poor transfer of capital and resources were offered for further study: a graduated tax on energy use in rich countries to subsidize energy prices in the poor ones; higher prices in the world market for materials and goods produced by poor countries; a special UN fund to finance expansion and fruitful utilization of energy in poor countries.

2. Diversity of energy technologies, within countries and globally, is desirable for several reasons: e.g. geographical variations in conditions and needs, and insurance against uncertainty. Options considered were fossil fuels, fission, fusion, solar energy, geothermal energy, and more efficient utilization of available resources. The certainty of continued heavy use of fossil fuels demands more research and development to increase efficiency and reduce environmental impact in the extraction, transportation, and utilization of these fuels, and to understand their considerable climatic, ecological and health effects in more detail.

Many members had misgivings about the expansion of fission power, owing to the difficult problems of reactor safety, disposal of radioactive wastes, and diversion of fissile materials for illicit purposes; this majority view held that the extent and duration of civilization's dependence on fission should be minimized. Some disagreed on the grounds that the probabilities of disasters associated with fission are too small to be taken so seriously. It was generally agreed, however, that the certainty of some use of fission in some countries means that expanded research to minimize the associated hazards is essential. A strong majority held that universality of the Non-Proliferation Treaty must be achieved if fission power is to be further deployed. Concerning alternative approaches to fission power technology, strong disagreements existed about the urgency of developing breeder reactors, while the potential advantages of heavy water reactors (with particular reference to developing countries) were mentioned.

By far the most important immediate alternative to expansion of use of fossil fuels and fission in rich countries, is energy conservation. Major new programmes of research and implementation are called for to reduce waste and introduce more efficient productive processes. In the poor countries, an alternative technology deserving immediate effort is conversion of organic wastes to portable fuel, while holding out essential nutrients and some organic matter for fertilizer. The principal long-term alternatives are fusion, solar energy in many forms, and geothermal energy from hot dry rock. Fusion research, already substantial, should continue to receive all the support it can productively absorb. Solar and geothermal energy should receive greatly increased support, for example, by the formation of specialized international institutions.

In discussing the need for an international institute for world energy problems, the Group was opposed to the formation of a large and comprehensive new energy institute. Instead, existing institutions and links between them should be strengthened. There was much support, however, for a small independent institute on lines similar to the Stockholm International Peace Research Institute (SIPRI), that would identify, and promote for thorough investigation elsewhere, problems in danger of being overlooked, and which would continually reexamine basic premises and assumptions in the energy field. Such an institute might most appropriately be organized and sponsored by Academies of Sciences and similar learned bodies.

THE FRANCHISE GAME—II

Mr. HARTKE. Mr. President, I ask unanimous consent to print in the RECORD the second in a series of articles published by the Chicago Tribune on the subject of franchise fraud after a 2-month investigation covering 30 States and Canada.

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

[From the Chicago Tribune, July 22, 1974]

FLIM-FLAM MEN TURN AMERICAN DREAM INTO A NIGHTMARE

Sheldon Serlin has a plan to put the chain-food stores out of the meat business, and for $5,000 he's offering you a chance to get in on the ground floor.

The way he tells it, it's a better deal than McDonald's one of the most successful franchising efforts in history, and even if you fail you'll still earn $20,000 a year by accident.

Serlin is peddling door-to-door frozen meat franchises, and last summer's beef shortages have been skillfully woven into his sales pitch.

"We're going to change the buying habits of America," Serlin predicted during one of his efforts with two reporters he believed were interested in buying into the operation.

"You saw what happened with the meat shortage, didn't you?" Serlin asked. "You saw the price rise. You know people in the area I am offering you spend $25 million on meat each year?"

Maybe so. But for a pitchman with hundreds of persuasive facts and figures on the meat industry, Serlin offers precious little to the unwitting customer on his business background.

And for the person preparing to sink his life savings into one of these schemes, that is perhaps the most valuable information available. Because each year, thousands of persons looking for financial independence and security in the world of franchising spend their last dime on a scheme that sounded good in their living room but was destined to fail in the marketplace.

Serlin's latest gimmick is a good example. Despite the facts and figures he tosses around in a sales pitch, Serlin does not have the meat warehouses he claims to control; he has no agreements to purchase meat from anyone; and he has no legal agreements with the major packing house he claims to have behind him.

And his whole deal is based on your ability to recruit 20 full-time distributors.

In addition, Serlin is the former President of Cardet International, Inc., a firm that claimed to offer franchise opportunities to operate a "door-to-door department store." The operation has folded and faces numerous civil lawsuits. It is also under scrutiny by the United States attorney's office.

Now Serlin, according to Serlin, is about to take over the meat market.

"We'll be a household word in two years, and then you'll be making $100,000 a year," he promised. "I've seen every franchise there is to offer around the country, but this is the best I've ever seen. It's better than McDonald's."

It is better, he said, because his system would be built on "the rock of friendship," with the people you recruit selling frozen meat to their friends and determining your profits.

Nobody knows how many Serlins are at work in the trick sales business. However, there is little doubt that the booming franchise field has provided a haven for scores of con men bent on the easy dollar.

And it is just as uncertain how many people they have bilked.

"There is no way to know how many victims there are," said Sen. Vance Hartke [D., Ind.], whose bill to protect franchise investors has languished in Congress for three years. "This is a bigger problem than most people know, because a person who is fleeced is not likely to talk about it."

But even the ones who will talk build into an army of disenchanted investors. Each thought at one time he was getting into another McDonald's, and each was encouraged by a consummate con man to think that way, whether the words were the same or not.

Tho the products change and the deals are different, most of the men who peddle them have locked themselves into general patterns of salesmanship and techniques of closing the deal.

One of their favorite techniques is to boggle the interested buyer with a barrage of figures that inevitably "prove" that the buyer can get rich.

"One of the experts in the art is Irving H. Kaufman, a Chicagoan who has marketed all sorts of franchise schemes from abortion clinics to gas-saving devices. Kaufman ran thru an amazing set of figures to convince a prospective buyer to invest in his X-6 Energy Intensifier, a gas-saving device that experts say doesn't work.

"Let's assume you buy into the X-6 at a level where you have 10 locations in Florida," he said. "Your profit on each sale is $3.73.

"Now, three installations per hour over an 8-hour period is 24, times 10 locations, or 24 installations a day. That figures times a 6-day week gives you 1,440 such locations. That figure times the $3.73 you get means you gross $5,371.20 a week, or nearly a quarter of a million dollars a year."

But Kaufman's pitch leaves little time for the buyer to consider the odds against any single service station operator selling and installing three devices every hour, every day, of every month.

The potential investor also can expect this sort of salesman to be miles from his home office, and the technique didn't happen by chance. Many deliberately keep their headquarters in one state and work in another because they know there is no federal law to follow them across state lines.

And they know very well that it is difficult, bothersome, and time-consuming for Illinois officials to pursue a California company or Minnesota officials to pursue an Illinois company.

"They simply run between the paths of jurisdiction," one New York prosecutor complained. "They have become expert at it."

Another trick is the prosperous-looking offices opened wherever the salesmen go to work and designed to give the illusion of stability and corporate wealth. The paneled walls, the well-dressed secretary, and the lavish waiting room may be rented by the week, but the impressionable prospective investor doesn't know that.

One firm operating in Philadelphia, for instance, rented everything in its instant office, right down to the flowers on the table and the rubber tree plant in the corner.

Like the others, it would move quickly when the prospects in the area dried up or when the arm of the law came a little too close.

"Our law doesn't do much good when the company is based in California," said James Kaiser, an assistant attorney general in Washington. "It's like having only one net to catch a swarm of bees. They fly all over—not into your net."

Perhaps the most brazen offer the investor can expect from the consummate salesman is the "exclusive territory" that the package contains.

"For $5,000 you're buying Oak Park," Serlin said during his pitch for a distributorship in his frozen-meat enterprise. "It's yours for life. No one can take it away from you."

In truth the exclusiveness of a territory often mean a little because no one else would want it anyway. But even worse, the companies often sell the same "exclusive territory" to several unrelated buyers.

And if the idea of having something "exclusive," something of his own, appeals to the buyer, the salesmen are just as quick to realize the buyer may be panicked at the thought of missing out on a chance.

"The salesman told me that he had two other persons in the McKeesport area who were interested in buying this area," remembers Mrs. Jean Livingston, who eventually lost $2,500 investment to a Chicago-based firm selling perfume distributorships. "He said he had to have a down payment right then, if I wanted to hold the distributorship for me."

But that pressure is only one of the psychological tricks the investor can expect from the determined salesman. Here are examples of some of his best and most devious:

A minister's wife in Virginia was given a complex psychological test before being sold a $2,500 deal to distribute cologne she never received.

"He said he wanted to make sure I was cut out for selling," she said. "He said his company was very careful about whom they chose to do their selling. Then he glanced at the test and said he didn't think there would be any problem."

A faltering prospective buyer of a gas-saving device was ridiculed by a salesman when the prospect said he had to discuss the subject with his wife before parting with any money. "In my home, my wife bought the refrigerator and I bought the house," said salesman I. H. Kaufman, "but I pay for both."

A suburban Schaumburg couple was thoroughly questioned about their social habits because they had to be "good enough" people to be accepted by the company. "We had to be religious, community-minded, upstanding people with a good credit rating—good citizens," said James Sanford, who lost a $2,000 investment to a vending-machine company which sent them only broken machines and gave them no assistance. "I guess when we made the down payment that night we were automatically good enough citizens."

Mr. HARTKE. The unscrupulous few who bait their hook with the promise of the American Dream are transforming the lives of many unsuspecting people into an American Nightmare.

The franchise system developed as a means of extending to the small entrepreneur the benefits of large-scale, centralized purchasing, bookkeeping, and advertising. As such it is an important and valuable response to contemporary conditions. But every system has its subverters, and the extent to which present-day franchise charlatans are bilking our fellow citizens is frightening.

As I already stated to this body, I have submitted to the Commerce Committee a piece of legislation designed to meet at least some of the more obvious problems. That there is need for such legislation cannot be doubted. The Tribune reported that those who play the franchise game "deliberately keep their headquarters in one State and work in another because they know there is no Federal law to follow them across State lines."

FACING THE WORLD FOOD CRISIS

Mr. HUMPHREY. Mr. President, yesterday President Ford addressed the United Nations and indicated that the United States would increase its food aid, expand its technical assistance to step up agricultural production and support a program of international food reserves.

On September 16, I wrote to President Ford urging an increase in our food aid to meet the food crisis and in advance of the World Food Conference.

The President at the U.N. called on other nations to make appropriate contributions and urged cooperation in the area of food and fuel. He urged that nations cooperate and avoid confrontation over basic raw materials.

The President also pledged that the United States would take a strong leadership role at the World Food Conference.

Mr. President, I have been supporting similar positions for some time. In August 1973, I wrote to President Nixon urging that a world food conference be called to address the world food crisis.

At the confirmation hearings of Secretary Kissinger, I again raised the issue, and Dr. Kissinger agreed that such a conference was needed. Later, at the United Nations, he suggested that such a conference be held, and the World Food Conference resulted from that recommendation.

In my May 9 New York speech, I suggested a 4-step world food action program to deal with the food crisis.

Senate Resolution 329—which I introduced on May 22 with three other colleagues—was passed without opposition on August 7. This resolution built on the world food action program, and it particularly emphasized the need for expanded food aid, technical assistance, increased fertilizer production, and the cooperation and contributions of other nations, particularly the oil-rich Arab countries.

Mr. President, I am hopeful that our Government will take a strong leadership role at the World Food Conference and also after its conclusion.

We in the United States—as well as other nations—have to make some rather fundamental decisions with regard to our food policy.

The United States cannot continue to ignore the need for our own food reserve program. It is hardly consistent to recommend a reserve for others and then ignore the need for a domestic reserve program for the United States.

Mr. President, I ask unanimous consent that the statement of President Ford, my September 16 letter to him, my world food action program and Senate Resolution 329 be printed in the RECORD.

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

[From the Washington Post, Sept. 19, 1974]

TEXT OF PRESIDENT FORD'S ADDRESS AT U.N. ASSEMBLY

In 1946, President Harry Truman welcomed representatives of 55 nations to the first General Assembly of the United Nations. Since then, every American President has had the great honor of addressing this assembly. Today, with pleasure and humility, I take my turn in welcoming you, the distinguished representatives of 138 nations.

When I took office, I told the American people that my remarks would be "just a little straight talk among friends." Straight talk is what I propose here today in my first address to the representatives of the world.

Next week Secretary of State Henry A. Kissinger will present in specifics the overall principles which I will outline in my remarks. It should be emphatically understood that the Secretary of State has my full support and the unquestioned backing of the American people.

As a party leader in Congress and vice president and and now as President of the United States of America, I have had the closest working relationship with Secretary of State Kissinger. I have supported and will continue to endorse his many efforts as Secretary of State and head of our National Security Council system to build a world of peace.

Since the U.N. was founded, the world has experienced conflicts and threats to peace. But we have avoided the greatest danger: another world war. Today, we have the opportunity to make the remainder of this century an era of peace and cooperation and economic well-being.

The harsh hostilities which once held great powers in their rigid grasp have now begun to moderate. Many of the crises which dominated past General Assemblies are fortunately behind us. And technological progress holds out the hope that one day all men can achieve a decent life.

Nations too often have had no choice but to be either hammer or anvil: to strike or to be struck. Now we have a new opportunity—to forge, in concert with others, a framework of international cooperation. That is the course the United States has chosen for itself.

On behalf of the American people, I renew these basic pledges to you today:

We are committed to a pursuit of a more peaceful, stable and cooperative world. While we are determined never to be bested in a test of strength, we will devote our strength to what is best. And in the nuclear era, there is no rational alternative to accords of mutual restraint between the United States and the Soviet Union, two nations which have the power to destroy mankind.

We will bolster partnerships with tradition friends and allies in Europe, Asia and Latin America, to meet new challenges in a rapidly changing world. The maintenance of such relationships underpins rather than undercuts the search for peace.

We will seek out and expand relations with old adversaries. For example, our new rapport with the People's Republic of China best serves the purposes of each nation and the interests of the entire world.

We will strive to heal old wounds reopened in recent conflicts in Cyprus, the Middle East and in Indochina. Peace cannot be imposed from without, but we will do whatever is within our capacity to help achieve it.

We rededicate ourselves to the search for justice, equality and freedom. Recent developments in Africa signal the welcome end of colonialism. Behavior appropriate to an era of dependence must give way to the new responsibilities of an era of interdependence.

No single nation, no single group of nations, no single organization can meet all of the challenges before the community of na-

tions. We must act in concert. Progress toward a better world must come through cooperative efforts across the whole range of bilateral and multilateral relations.

America's revolutionary birth and centuries of experience in adjusting democratic government to changing conditions have made Americans practical as well as idealistic. As idealists, we are proud of our role in the founding of the United Nations and in supporting its many accomplishments. As practical people, we are sometimes impatient at what we see as shortcomings.

In my 25 years as a member of the Congress of the United States, I learned two basic practical lessons:

First, men of differing political persuasions can find common ground for cooperation. We need not agree on all issues in order to agree on most. Differences of principle, of purpose, of perspective will not disappear. But neither will our mutual problems disappear unless we are determined to find mutually helpful solutions.

Second, a majority must take into account the proper interest of a minority if the decisions of the majority are to be accepted. We who believe in and live by majority rule must always be alert to the danger of "tyranny of the majority." Majority rule thrives on the habits of accommodation, moderation and consideration of the interests of others.

A very stark reality has tempered America's actions for decades—and must now temper the actions of all nations. Prevention of full-scale warfare in the nuclear age has become everybody's responsibility. Today's regional conflict must not become tomorrow's world disaster. We must assure by every means at our disposal that local, crisis are quickly contained and resolved.

The challenge before the United Nations is clear. This organization can place the weight of the world community on the side of world peace. And this organization can provide impartial forces to maintain the peace.

And at this point I wish to pay tribute on behalf of the American people to the 37 members of the U.N. peacekeeping forces who have given their lives in the Middle East and in Cyprus in the past few months and I convey our deepest sympathy to their loved ones.

Let the quality of our response measure up to the magnitude of the challenge. I pledge to you that America will continue to be constructive, innovative and responsive to the work of this great body.

The nations in this hall are united by a deep concern for peace. We are united as well by our desire to ensure a better life for all people.

Today, the economy of the world is under unprecedented stress. We need new approaches to international cooperation to respond effectively to the problems that we face. Developing and developed countries, market and nonmarket economies—we are all part of one international economic system.

The food and oil crises demonstrate the extent of our independence. Many developing nations need the food suplus of a few developed nations. And many industrialized nations need the oil production of a few developing nations.

Energy is required to produce food and food to produce energy—and both to provide a decent life for everyone. The problems of food and energy can be resolved on the basis of cooperation—or can, I should say, be made unmanageable on the basis of confrontation. Runaway inflation, propelled by food and oil price increases, is an early warning signal.

Let us not delude ourselves. Failure to cooperate on oil, food, and inflation could spell disaster for every nation represented in this room. The United Nations must not and need not allow this to occur. A global strategy for food and energy is urgently required.

The United States believes four principles should guide a global approach:

First, all nations must substantially increase production. Just to maintain the present standards of living the world must almost double its output of food and energy to match the expected increase in the world's population by the end of this century. To meet aspirations for a better life, production will have to expand at a significantly faster rate than population growth.

Second, all nations must seek to achieve a level of prices which not only provides an incentive to producers but which consumers can afford. It should now be clear that the developed nations are not the only countries which demand and receive an adequate return for their goods. But it should also be clear that by confronting consumers with production restrictions, artificial pricing, and the prospect of ultimate bankruptcy, producers will eventually become the victims of their own actions.

Third, all nations must avoid the abuse of man's fundamental needs for the sake of narrow or national bloc advantage. The attempt by any country to use one commodity for political purposes will inevitably tempt other countries to use their comodities for their own purposes.

Fourth, the nations of the world must assure that the poorest among us are not overwhelmed by rising prices of the imports necessary for their survival. The traditional aid donors and the increasingly wealthy oil producers must join in this effort.

The United States recognizes the special responsibility we bear as the world's largest producer of food. That is why Secretary Kissinger proposed from this podium last year a World Food Conference to define a global food policy. And that is one reason why we have removed domestic restrictions on food production in the United States. It has not been our policy to use food as a political weapon despite the oil embargo and recent oil price and production decisions.

It would be tempting for the United States—beset by inflation and soaring energy prices—to turn a deaf ear to external appeals for food assistance, or to respond with internal appeals for export controls. But however difficult our own economic situation, we recognize that the plight of others is worse.

Americans have always responded to human emergencies in the past and we respond again here today.

In response to Secretary General Waldheim's appeal and to help meet the long-term challenge in food, I reiterate:

To help developing nations realize their aspiration to grow more of their own food, the United States will substantially increase its assistance to agricultural production programs in other countries.

Next, to ensure that the survival of millions of our fellow men does not depend upon the vagaries of weather, the United States is prepared to join in a worldwide effort to negotiate, establish, and maintain an international system of food reserves. This system will work best if each nation is made responsible for managing the reserves that it will have available.

Finally, to make certain that the more immediate needs for food are met this year, the United States will not only maintain the amount it spends for food shipments to nations in need, but it will increase this amount.

Thus, the United States is striving to help define and contribute to a cooperative global policy to meet man's immediate and long-term need for food. We will set forth our comprehensive proposals at the World Food Conference in November.

Now is the time for the oil producers to define their conception of a global policy on energy to meet the growing need—and to do this without imposing unacceptable burdens on the international monetary and trade system.

A world of economic confrontation cannot be a world of political cooperation. If we fail to satisfy man's fundamental needs for energy and food, we face a threat not just to our aspirations for a better life for all our peoples, but to our hopes for a more stable and a more peaceful world. By working together to overcome our common problems, mankind can turn from fear towards hope.

From the time of the founding of the United Nations, America volunteered to help nations in need, frequently as the main benefactor. We were able to do it. We were glad to do it. But as new economic forces alter and reshape today's complex world, no nation can be expected to feed all the world's hungry peoples. Fortunately, however, many nations are increasingly able to help and I call on them to join with us as truly United Nations in the struggle to provide more food at lower prices for hungry and, in general, a better life for the needy of this world.

America will continue to do more than its share. But there are realistic limits to our capacities. There is no limit, however, to our determination to act in concert with other nations to fulfill the vision of the United Nations Charter: "to save succeeding generations from the scourge of war" and "to promote social progress and better standards, better standards of life in a larger freedom."

U.S. SENATE,
Washington, D.C., Sept. 16, 1974.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: As you know, I have been vitally concerned over the level of our assistance under the Food for Peace program in the face of present world food shortages.

I have discussed this issue at length with Secretary Kissinger, who made a pledge at the United Nations to increase our food assistance.

I have previously urged that we make a solid effort to try to get the commodity levels for both titles I and II back up to where they were in 1972.

Despite our reduced crop estimates and the need to hold federal expenditures to a minimum, we must make every effort to increase those levels, and I would suggest by about forty to fifty percent for a total program of $1.4 or $1.5 billion.

I understand that you will be making a decision on this question in the next few days. A positive decision by the United States would represent strong leadership, especially as preparations are being completed for the World Food Conference.

Respectfully,

HUBERT H. HUMPHREY.

A WORLD FOOD ACTION PROGRAM

(Address by Hubert H. Humphrey)

We have been waging a battle to improve the quality of life in the developing world for 25 years. Today this battle against global poverty and disease is being lost.

As the world's military powers seek accommodation to reduce the risks of nuclear holocaust, new dangers to political and economic stability have arisen.

The threat of widespread famine is on the increase. Fertilizer shortages are growing and the affluent continue to consume a disproportionate amount of the world's food resources.

Worldwide inflation continues to take a heavy toll on the developing and the developed countries alike. This erodes political

stability and depletes what little hard currency the poor nations have amassed.

The rich and poor nations are in danger of entering a new era of confrontation fueled by economic desperation. All realize that they are vulnerable to economic blackmail. This situation is causing a breakdown of the traditional rules of the game governing access to supplies and raw materials.

We are today at a crossroads of history comparable to the years following the end of the Second World War.

Today, as before, our nation faces a crisis of maintaining our growth in relative affluence while others face a crisis of sheer survival.

Today, as before, we must fashion an adequate response to the plight of a great mass of people—over one billion people in more than 30 countries who are the worst victims of the doubling and trebling of world food, fuel and fertilizer prices. These most severely affected countries might be described as a new Fourth World.

The bill the developing countries as a whole must pay in increased petroleum prices is an estimated $10 billion. Food and fertilizer price rises are expected to add an additional $5 billion.

And today, as before, the American response to these global problems must draw upon what is best in our people. We must recognize the interdependence of our security with the well-being of all mankind. And the progress of Americans can flow from the progress of others, as it has with the impressive postwar improvement in Europe.

On the other hand, if the opportunity for economic progress is denied one fourth of the human race, no institutional structure, no concept of world order, no "structure of peace" can long survive.

It is imperative that our leaders recognize this essential fact of life.

President Nixon has recently submitted an expanded foreign assistance program.

At the recent U.N. General Assembly special session on raw materials and development, Secretary Kissinger announced our intention to provide emergency assistance, in a cooperative framework, to the stricken Fourth World.

Most recently, we offered an emergency proposal at the U.N. urging the creation of a $4 billion special fund to which the U.S. would contribute its "fair share." This fund would supply additional assistance to the most severely affected to enable them to buy fuel, fertilizer and other essential commodities.

Though well-intentioned, American efforts thus far lack specific financial commitments which the Fourth World expects and needs.

I have come here today to discuss a specific proposal—a proposal which I believe could prevent chaos and suffering. It will allow our nation to fulfill its humanitarian obligation to the world community.

It will respond to an urgent request of the recent U.N. session for "an emergency relief operation to provide timely relief to the most seriously affected developing countries."

It is not a program of charity, for charity is not the way to develop human potential and foster a viable world order.

It is, rather, a program designed to lead the world back from the precipice of famine. It will afford millions with the opportunity to go beyond mere survival and develop the potential of their economies and their lives. It is also a program which recognizes the urgent need to develop new standards and institutions to ensure access to supplies of essential commodities to all nations, rich and poor.

Today I am proposing a World Food Action Program which involves important initiatives for the United States on four broad fronts: expanded food aid, a program of food reserves, an improved system of fertilizer distribution and production and an increased emphasis on agricultural development.

The United States is a country blessed with great industrial and military power. But this power shrinks in magnitude compared to the power of food. We are the world's breadbasket. Our natural tendency to produce food in abundance gives us today enormous power over the lives and fortunes of a majority of the world's people.

Used wisely, America's food power can be a force for enlightened and compassionate ends. Used only for narrow, short-term advantage, it becomes a precious resource squandered in the face of great human suffering.

I believe our contribution to the growing economic crisis in the Fourth World should be primarily in the form of food and the means and technology to produce it. I propose a food action plan in the hope that it will serve as a model for initiatives by other nations who can afford to be generous at a moment of growing need.

Twenty-five years ago Europe was threatened with economic and political disintegration. The United States responded strongly and generously in the face of crisis and despair. The Marshall Plan can again serve as an example of effective assistance to those in distress.

Today, when the lives and well being of hundreds of millions in Africa, Asia, and Latin America are at stake, we can do no less. We need to respond in the same bold and generous manner.

We cannot wait for the World Food Conference in November. Time is running out for millions.

My four-point action program includes the following provisions:

First, food aid must be expanded.

At a time when world needs have reached crisis proportions, our food aid shipments have been slashed severely. And a significant part of our availabilities go for security related programs in Southeast Asia.

All nations must immediately take steps to expand their food production. But this simply is not enough. The food surplus nations must also set aside a portion of their increasingly profitable food exports for transfer to the poorest nations. And the transfer must be on terms poor nations can afford. Present world food prices are simply beyond the financial means of the poorest nations.

Specifically, I propose a three-year emergency food aid effort. It would be aimed at the nations hardest hit by food and energy price rises and fertilizer shortages. It would include the following steps:

The United States will offer the sale of at least $1 billion worth of food annually at today's market price. Countries purchasing this food will pay the going market price of July 1, 1972 commercial terms.

The difference between today's higher prices and the July 1, 1972 price would be in the form of long-term concessional credits.

This American proposal should be conditioned on a comparable offer from other nations with a major food surplus—notably the Canadians and Australians. Their fair share of the total aid effort would be proportionate to their share of world grain exports in recent years—about 70% from the U.S., 20% from Canada and 10% from Australia.

I believe this new program of expanded food aid should be matched immediately by reciprocal assistance measures on the part of the oil exporting nations.

Recent oil price increases and energy shortages have already begun to decrease world food production. Therefore, a decline in oil prices will help spur world food production.

For the very poorest nations and those already suffering famine, we should expand our PL 480 Food for Peace sales program on terms softer than the proposal I have just made.

The PL 480 food grants for the nutritionally vulnerable and for food-for-work programs have also been cut dramatically. Approximately 20 million people have been removed from these important programs. We must move to expand this grant food aid program.

Our much diminished PL 480 program must be restored at least to the 1972 commodity levels.

The United States is a major contributor to the international World Food Program under the direction of the United Nations. This program carries out vital emergency relief and nutrition activities.

Sharp food price increases have reduced the availability of food for this international effort. Many worthwhile new projects have been abandoned. The United States, which has presently pledged to provide $140 million in food and cash in 1975–76, must increase its own pledge to at least $200 million. We must encourage other nations to increase their contributions so that the commodity level can be restored to the 1972 level.

Again, this should be looked upon as only a minimum effort to deal with an emergency.

People must understand that the severe world food crisis will not miraculously disappear even if we have the bumper harvests anticipated for this year. Last year we had record crops. Despite this fact, world food reserves are today dangerously low. They are approaching a level of supply which could last only three weeks.

Second, we must establish a food reserve program.

We have a moral obligation to establish a buffer against the threat of mass starvation. We simply cannot rely on ideal weather and no major crop diseases to assure a safe supply of food.

The world's leading food producer and exporter—the United States—has no national food reserve policy. We blithely assume all will work out for the best.

Grain reserves provide an important measure of stability in the world food economy. They also ensure the capability of the internal community to respond when droughts or crop failures occur.

It is essential, then, that the U.S. Congress act quickly to pass the legislation I have proposed establishing a national food reserve policy.

Closely related to a reserve policy is the need to assure fair prices to farmers for their products. It is a fair price which is the incentive for production. The existence of sizeable reserve stocks must not be used to deny farmers of a reasonable return on their investments and efforts.

The international community must also establish a new global food reserve system. FAO Director-General Boerma's plan for the international coordination of national food reserve policies must be given concrete form at the World Food Conference, and then implemented without delay.

Third, world fertilizer production must be expanded.

The global shortage of chemical fertilizers is already causing disastrous consequences in the developing world. This is especially true in South Asia. Not only have prices soared, but many poor countries have been unable to purchase required amounts at any price. Japan, the United States, and European nations have reduced their fertilizer exports because of their domestic needs.

Every dollar's worth of fertilizer denied a country such as India now may well force it to import five dollar's worth of food next winter. This is an economic loss that these nations and the world can ill afford.

The United States and other fertilizer ex-

porting nations must take steps to ensure that critical fertilizer needs in the developing countries are met without endangering domestic agricultural production.

We must restore our fertilizer exports to reasonable levels, both through commercial channels and our aid program.

This will require expansion of fertilizer production facilities. If necessary to insure this expansion, the Government should stand ready to offer credits and tax incentives.

More fertilizer needs to be sent to developing countries this summer and fall. The industrial countries need to consult urgently on the means for doing so.

We must ask the American people to reduce the non-critical and non-farm uses of fertilizer which now total nearly 3 million tons of nutrient—well above the anticipated fertilizer deficit in Asia this year.

A major cooperative effort is needed to increase the efficiency of production in existing developing-country nitrogen fertilizer plants. Many are now producing at below two-thirds their capacity. Additional technical assistance and spare parts will be necessary from the United States and other industrialized nations.

It is now clear that the comparative advantage in nitrogen fertilizer production lies with those nations with abundant energy supplies. The United States and other industrial nations should assure the oil exporting nations—which are blessed with natural gas, the feedstock of nitrogen fertilizer—that we will share with them our technologies to open new supplies of fertilizer.

The World Bank could take the lead in coordinating this effort.

The battle against global hunger cannot be won without abundant supplies of fertilizer at reasonable costs.

Fourth, agricultural production in the food deficit nations must be increased.

The developing countries constitute the world's greatest reservoir of untapped food production potential. Vast increases in food production are possible in these nations. These increases can be achieved at a far lower cost in the use of energy and fertilizer than in the agriculturally advanced nations.

The realization of this potential is crucial if the world's food supply is to grow rapidly enough to meet the needs of population growth and rising affluence.

Special emphasis needs to be placed on effectively involving the world's small farmers in the effort. A generation of experience has taught us the benefit of intensively cultivated small farms. They more than hold their own in comparison with large farms and output. They also supply jobs for the growing legions of the unemployed in the developing world.

This approach to rural development contributes greatly to the motivation of smaller families that is the prerequisite of a major reduction in birth rates.

Agricultural development will not come easily.

It will require supplying farmers with education, credit, extension services, fertilizers, improved seeds, appropriate machinery, and water supplies.

It will require expanded multilateral and bilateral economic assistance programs.

It will require expanded world research efforts to discover even more productive seed varieties.

It is imperative that the U.S. Congress act quickly to approve the U.S. replenishment of funds for the International Development Association. The World Bank, under the leadership of Robert McNamara, is increasingly, focusing its efforts on this area of greatest need—rural and small farm development.

Special attention in the developing countries must be given to the problems of food spoilage and waste. Poor storage, inefficient marketing practices and inadequate facilities result in massive losses of food and fiber. A special effort, perhaps led by the FAO, to reduce global food losses is vital.

At the same time, we cannot ignore the different but very real form of waste occurring in the more affluent nations. Each day enough uneaten food is scraped from restaurant and home dining room plates to sustain millions.

The Food Action Program which I have outlined would begin to meet the urgent need for immediate international cooperation to avert famine.

It would also do much more. It could establish new standards by which nations deal with global resource scarcities. Many of the fundamental questions raised by these shortages are present also in the case of food.

We should use American food to set a new standard for international economic conduct. We have too much at stake to miss the guaranteeing access to supplies and markets opportunity to see that there are rules for all countries.

One of the most important components of the food action program I have outlined—expanded food aid—could be implemented in a matter of weeks.

The legislation giving the President the authority to act already exists in our PL 480 legislation.

Although Congressional approval is not necessary, Congressional consultation is imperative.

In the coming days I will introduce a World Food Action Resolution with my colleagues. This resolution will urge the President to take immediate action in expanding our food assistance to meet the growing crisis of human suffering in the developing world.

Some have suggested that the American people will not support an expanded food aid program.

I do not believe this has to be the case. The American people have always responded generously in times of crisis. We at least need to ask them. We cannot afford to reach such a conclusion without an informed national dialogue. The American public has only recently begun to hear of the world food crisis.

One frequent objection to increase government food aid is that domestic prices will tend to be pushed higher. I do not believe this to be the case. We can provide expanded food assistance in the manner I have suggested—without price increases.

This can be accomplished by limiting our sales on the commerical market. We must reserve part of our supplies for sales to the poorest countries threatened by famine on cash and credit terms that they can afford to pay. This food program—to save lives and create an environment conductive to peace—will cost less than three Trident submarines.

In the final analysis, a fundamental moral choice canot be evaded. Can a nation whose nutritionalists proclaim obesity to be a leading health problem share its bountiful food resources with those whose very survival is at stake?

When our own life styles affect the basic well-being of others, can we avoid making the necessary minor adjustments?

A decision by Americans to eat one less hamburger a week would make some 10 million tons of grain available for food assistance.

It is also in the self interest of the United States to take the lead in developing this program. Starvation and hunger are the breeding grounds for political instability and economic chaos.

Americans do have a stake and a vital interest in social progress. As Pope John said: "Development is the new name for peace."

The countries we would be helping provide vitally needed resources for all nations—particularly the industrialized and more affluent nations.

While I urge my country to take the lead in the effort, I would expect others to follow.

The United Nations has already set the stage for the cooperative effort in meeting the crisis of the Fourth World.

If the nations of the world confront the global food crisis head on, we shall be taking a step toward saving millions of lives in peril.

By undertaking this food action program, the human community shall be reaffirming its ability to cope with a world crisis.

If we do not take the initiative now and begin defining our future, we should not be surprised when tragic events define it for us.

S. Res. 329

Resolution relating to the participation of the United States in an international effort to reduce the risk of famine and lessen human suffering

Whereas world food reserves are at a dangerously low level with less than four weeks supply remaining; and

Whereas dramatic increases in the prices of petroleum, food, and industrial commodities have placed needed quantities of these critical items beyond the financial reach of some forty of the poorest and most seriously affected developing countries with over one billion people; and

Whereas the American people have a long and proud tradition of acting to combat famine and to relieve the needs of hungry people at home and abroad; and

Whereas it is in the self-interest of the United States to relieve starvation and hunger, which are the breeding ground for economic and political instability; and

Whereas the United States has recently announced its willingness to work with other nations in a cooperative effort over the next eighteen months to help those nations most severely affected by the recent price rises and food supply shortages; and

Whereas the dimensions of the present crisis call for an immediate response on the part of all governments over and above what has been forthcoming in the past: Now, therefore, be it

Resolved, That it is hereby declared to be the sense of the Senate that—

(1) while the United States Government must continue to emphasize and support the expansion of population planning activities as being essential to the long-range curtailment of global food demand, the United States should also contribute to alleviating the immediate economic and human crisis of the developing world by providing assistance in the form of food and the means and technology to produce it;

(2) the President, the Secretary of State, and the Secretary of Agriculture and their advisers should (A) give the highest priority to the immediate expansion of American food assistance through the existing authority of the Public Law 480 legislation restoring title I sales and title II grants to at least the 1972 commodity levels and (B) take such additional steps as might be necessary to expedite the transfer of American food commodities on concessional and donation terms to those nations most severly affected.

(3) the President and the Secretary of State should (A) negotiate with other major food exporting nations to seek to obtain their participation in this emergency effort proportionate to their share of world food exports; and (B) strongly encourage oil exporting nations to contribute a fair share to these efforts to assist the most severely affected nations;

(4) the United States should announce its desire to work with the oil exporting and other nations in a major effort to increase world fertilizer production with the possibility of including the offer of American technology and capital; and

(5) the President should encourage the American people to reduce their noncritical, non-food-producing uses of fertilizer which now total nearly three million tons of nutrient a year, to make available increased fertilizer supplies for raising food production at home and in the developing world.

SEC. 2. It is further declared to be the sense of the Senate that the President of the United States and the Secretaries of State and Agriculture should, and are hereby urged and requested to (A) maintain regular and full consultation with the appropriate committees of the Congress and (B) report to the Congress and the Nation at regular intervals on the progress toward formulating an American response in a cooperative framework to the world food crisis and the needs of the most severely affected developing countries.

SEC. 3. The Secretary of the Senate is directed to transmit copies of this resolution to the President, the Secretary of State, and the Secretary of Agriculture.

THE SITUATION IN VIETNAM

Mr. McGOVERN. Mr. President, I am sure that no one has the impression that there has been an end to congressional responsibility for what occurs in Indochina.

The accounts I have seen and heard point to a status quo in Vietnam that is bloody, expensive, and hopeless. As we approach a decision on a proper level of U.S. assistance for the Thieu government, I believe we must make every effort to determine whether a given sum will improve or worsen the situation.

In this context, I commend to my colleagues a number of recent newspaper articles, primarily from the New York Times and the Washington Post, which are most useful in developing an understanding of internal Vietnamese reality. Several points emerge:

First. Despite public relations to the contrary, it is the Thieu government that has been primarily responsible for continuing warfare in defiance of the Paris Agreement.

Second. Although there have been some cutbacks, South Vietnamese Government Forces are still wasting ammunition in massive quantities.

Third. Mr. Thieu is continuing to conduct a dictatorial kind of politics in which free expression is denied not only to Communists but to all opposition. Thus, his political base remains extremely narrow.

Fourth. Mr. Thieu continues to arrest, detain, and torture political prisoners.

Fifth. The Thieu government will not let refugees go home—another express violation of the Paris Agreement—because he would then lose political control over them.

Sixth. The human toll is still extremely heavy, out of all proportion to what anyone could hope to win.

In summary, the Paris agreement in which we invested so much life and fortune is treated as a dead letter. And with $700 million in military aid plus some $580 million in economic aid, including food for peace, Thieu would receive only slightly less than he received in fiscal year 1974. Unless those figures are scaled back, Mr. Thieu will have no incentive to make the political concessions necessary to make the agreement work. He will instead continue his hopeless quest for a military victory, and he will continue to demand that the United States underwrite both his arms budget and his war economy.

Put simply, the question is not whether we will set our aid high enough to make a difference; it is whether we will set it low enough to make a difference—low enough to move Mr. Thieu to observe the agreement which was supposed to end the war.

At this point, Mr. President, I ask unanimous consent that there be printed in the RECORD a current analysis of the military situation in Vietnam by a longtime observer on the scene, followed by several newspaper articles which bear on the same subject.

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

MILITARY SITUATION IN VIETNAM

The surprising thing is not that the attacks on Saigon positions are occurring, openly and with considerable publicity by the PRG itself, but that they did not come sooner.

Under constant military pressure from Saigon's ARVN (Army of the Republic of Viet Nam) troops in the year and a half since the signing of the Paris Agreement, the PRG has seen a significant portion of its zone of control eroded. Estimates vary, ranging from five to fifteen percent. The situation was demonstrated graphically to one foreign correspondent on his most recent trip to Viet Nam. The southern part of My Tho province, between highway four and the Mekong River, where he had taken a tour as a guest of the PRG just after the cease-fire has now been almost completely taken over by Saigon.

The PRG/DRV forces have not been turning the other cheek. For months there have been reports of ARVN units up to battalion size virtually wiped out at dinner time after an uneventful day's thrust into a liberated area. And PRG troops have harassed and overrun several ARVN camps—mostly mountain-top outposts deep in otherwise liberated territory.

Almost a year ago, on October 15, 1973, the PRG issued a warning to Saigon against trying for a military solution. On that date the PLAF (People's Liberation Armed Forces) high command sent out a general order authorizing units to strike "at any time and at any place" against Saigon bases and units involved in raids against the liberated zone.

The current series of attacks—one group concentrated in Quang Nam and Quang Ngai provinces in central Viet Nam, another in the central highlands, and a third in the provinces northwest of Saigon—is the first large-scale implementation of that order.

Although Saigon is once again sounding the alarm for the long-heralded "general offensive", the PRG insists that the objective of the attacks is much more modest. The PRG wants to convince Saigon that it would be foolish to attempt a military solution, and that the only practical course is to adopt a serious attitude towards the now suspended negotiations for the implementation of the Paris Agreement.

Confirmation of this interpretation is provided, in part, by an official at the US consulate in Da Nang, who did not see the attacks as an all out offensive. He pointed out to a correspondent who toured the area recently that the areas of heavy fighting in that part of the country are zones where ARVN troops had been conducting large scale sweeps for weeks before the PLAF struck back.

In principle the PRG seems to have demonstrated its point. All Saigon's main forces are already in the fight, while US/Saigon intelligence reports say the PRG and DRVN still have at least half of their main force units in reserve. And the formidable anti-aircraft defenses now reported to be set up in several parts of the liberated zone have remained quietly under camoflage.

Vietnamese journalists report that ARVN morale—never exceptionally high—is sagging still further. The military police have, in their way, confirmed the situation by stepping up their patrols in the city, checking streets and alleys for deserters.

Saigon, however, doesn't seem to have got the message. There have been no signs that Thieu is willing to create conditions for a fruitful resumption of the stalled cease-fire talks in Saigon, and the negotiations on political issues in France.

The most basic requirement is a written guarantee by Saigon of the PRG and DRVN delegations' diplomatic privileges and immunities. The current breakdown in discussions grew, in a complicated way, out of Saigon's unilateral cut-off of these privileges and immunities in early April. The PRG insists that Saigon guarantee them as one of its obligations under the Paris Agreement, not as a gesture of "goodwill" which Saigon may revoke at its whim.

It is reported that the PRG military thrusts have taken pressure off a number of the liberated areas, such as some in the Que Son valley.

Reports reaching Saigon through people with friends and relatives in the area say that in one village which used to be a contested area, constantly harrassed by ARVN sweeps and artillery fire, there is now a large open-air "liberated market". People from the Saigon zone cross over to sell cloth, canned milk, batteries and other light industrial products. People from the PRG zone sell them agricultural produce in return.

In other areas the fighting rages over regions which had been relatively stable, and the papers in Saigon are filled with the all-too-familiar photographs of farmers fleeing battle with what few of their possessions they can manage to carry along.

It appears, from scattered reports, that a significant number of people are moving from refugee camps in Saigon controlled areas into secure parts of the PRG zone. In at least one case, the PRG provided transportation for returning farmers in a convoy of trucks captured from an ARVN resupply column. In other cases transportation has been arranged by relays of Hondas or sampans.

The ground is certainly ripe. In Quang Ngai province shortly before the attacks began, a reporter found several refugee camps where people had been set down five years, six years or more ago after American troops uprooted them from their native villages, or after they fled combat areas on their own initiative. Now they are hungry, with no decent fields and no work. They want to return to their old homes, often less than ten miles away. But all expressed a fear of ARVN operations. As several women put it, "They'll pick us up and bring us back and beat us to death."

[From the New York Times, Sept. 9, 1974]

CUT IN U.S. AID FORCES SAIGON TO SHIFT ITS STRATEGY AND YIELD SOME OUTPOSTS

(By David K. Shipler)

SAIGON, SOUTH VIETNAM, September 2. Cuts in American military aid have begun to force shifts in strategy by the South Vietnamese Army.

In an effort to save fuel and ammunition,

Government forces have abandoned some isolated outposts, have virtually ended the "harassment and interdiction" artillery fire that once peppered Communist territory and have replaced some large-unit operations with small, long-range infantry patrols that penetrate and attack deep inside North Vietnamese and Vietcong strongholds.

Army officers, foreign military men and Government civilians who describe these changes differ on their military significance.

Some think the withdrawals from outposts will effectively cede contested land to the Communists, thereby sharpening territorial divisions between the two sides and perhaps facilitating any future effort to draw a map delineating areas of control. Such delineation was prescribed by the Paris truce agreement of Jan. 27, 1973, but has been resisted by both sides.

Other military men argue, however, that many of the outposts are important only sym- * * * claims to valueless territory and causing some damage to the army's effectiveness by spreading the forces too thinly. They also believe that the spotty configuration of control will persist, especially in the Mekong Delta.

WASTE OF AMMUNITION SEEN

As for harassment and interdiction fire—in which an enemy's territory and supply routes are shelled almost at random—military men have long debated the value of the practice in Vietnam.

Some regard it as a waste of ammunition that causes suffering mostly among the civilian population of Communists-held areas. Others contend that the unpredictable shelling keeps opposing troops tense, denies them rest and damages their morale.

* * * $1.45-billion Administration request to $700-million for this fiscal year.

"We are not going to have much money," said one well-placed army officer, "so these outposts serve very little purpose since we cannot afford to do anything with them."

"Unless a position has some political value, like a big city," he continued, "no position—especially in a sparsely populated area—is considered important enough for us to stick and fight and die."

According to informed sources, about 500 of the 3,000 outposts in the Mekong Delta will be "consolidated" in an effort to conserve ammunition. Some are well within secure Government areas, but others, surrounded by Communist forces, have caused large drains on fuel supplies since they have to be resupplied by air.

Elsewhere, abandonment has been related to Communist attacks. Without abundant artillery shells and bombs with which to support the small forces of local militiamen who often man the outposts commanders have taken to making fast retreats in the early stages of an assault before casualties become high.

Some analysts believe the main military impact of the emerging Government attitude toward outposts will be logistical. "If you have an outpost on a canal, for example," one remarked, "it makes it more difficult for the enemy to get past by night, and it provides early warning of troop movements."

But a South Vietnamese officer disagreed. "When the North Vietnamese Army moves, it moves in big units," he said, "so, the existence of a small outpost of maybe 10 people doesn't make any difference. And two or three Vietcong can go anywhere—they know their way around."

The usefulness of small outposts—which often serve as bases for patrols into the neighboring countryside—has declined also as a result of a transformation of the North Vietnamese logistics system into a modern network of roads, oil pipelines and supply routes. This has happened in the absence of American bombing in the 19 months since the Paris cease-fire agreement.

Maj. Gen. John E. Murray, who recently left the post of United States defense attaché in Saigon, observed in an interview last month that while North Vietnamese Army units coming south used to spend a month or more "squirreling around" uncovering caches of supplies and getting their logistics in order, they could now go into battle immediately upon arrival because the supply system was already functioning for them.

"There's a logistics genius back there," General Murray declared.

FIREPOWER INCREASED

One result has been an increase in the volume of ammunition and firepower used by the North Vietnamese in the fighting of the last few months. One foreign military officer said that many outposts had been given up after heavy Communist artillery barrages with no ground attack.

There is widespread agreement that the third element of the strategic change—the increased use of long-range patrols—will work to the benefit of the South Vietnamese Army, which is normally restricted to a defensive posture around population centers and along major highways. The patrols involve 6 to 30 men who are sent for several days at a time to attack specific targets in Communist territory they have been used mostly in the northern half of South Vietnam.

The abandonment of outposts has been the most dramatic and controversial change in strategy. It first emerged six to nine months ago as nothing more than an occasional exception to President Nguyen Van Thieu's directive that not one inch should be given to the Communists.

But the exceptions have become the rule in recent weeks as the Communists have stepped up their attacks and as Congress has voted cuts in American military aid to South Vietnam, trimming a

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HEAVY COMMUNIST PRESSURE

Uncounted outposts have been given up along the central coast in Quang Ngai and Quang Nam Provinces under heavy pressure by North Vietnamese troops. Some of the Government positions reportedly had been established after the cease-fire as a way of asserting Government control over fertile riceland. "The Communists are just taking back what they consider to be theirs," a Western diplomat remarked.

In Tay Ninh Province 50 miles northwest of Saigon, the North Vietnamese overran two Government outposts on Aug. 20 in what one Western military officer called an attempt to open a logistical corridor along the western bank of the Vam Co River.

This would provide the Communists with an infiltration route from Cambodia into the western provinces of the Mekong Delta, where a Government offensive routed the North Vietnamese from an important base area called Tri Phap.

He noted that while the Government once used about 10 times the amount of ammunition that the Communists used in battle, the ratio had recently shrunk to two to one. "And the Communists get cost effectiveness out of every round " he explained. "They're sitting up in the hills looking down on a town, while the Government shoots up in the bloody hills and hopes it hits something."

Few believe that the strategy changes will suddenly break the military stalement between the two sides. However, as a South Vietnamese army officer put it, "We know we don't have enough troops to occupy the whole country. But we also know they don't have enough troops to occupy the whole country."

[From the New York Times, Sept. 5, 1974]

MORE AID IS GOING TO NORTH VIETNAM

(By David K. Shipler)

SAIGON, SOUTH VIETNAM, September 1.—According to Western intelligence reports, North Vietnam is getting increased economic aid from China, the Soviet Union, and Eastern European countries, but with new strings attached.

Moscow apparently decided some months ago to make its aid contingent on North Vietnam's keeping better records, drawing up a detailed economic plan and taking a national census.

The demands were reportedly made after Soviet investigators found donated equipment and machinery unused on docks and in warehouses. They were also said to have discovered that Hanoi had no complete picture of its stocks of equipment and, one Western analyst explained, "no clear-cut idea of what kind of labor force they had—how many truck drivers, for example."

The census has now been taken and a two-year economic plan drafted. The aid is pouring in.

WHEAT FROM SOVIET UNION

Basing their estimates on deliveries so far this year, the analysts here say that North Vietnam will receive about a million tons of grain—including rice, wheat and corn—from China and the Soviet Union in 1974. This is about 20 per cent of North Vietnam's annual consumption.

Much of the wheat has come from the Soviet Union, while the rice has generally been shipped from China, often in the form of local trade between border areas. Officials believe that while the North Vietnamese barter for some of the rice, much of it is simply sent as deficit trade, or as a sort of loan that will probably never be repaid.

The bulk of the other aid is in petroleum, machinery and technical assistance, the analysts say. The Soviet Union has provided locomotives, helicopters, bulldozers, machinery for power plants and technicians to help maintain heavy equipment.

According to intelligence reports and public statements by Hanoi, the Chinese have helped in mining, bridge construction and steel and cement production. In May, Radio Hanoi announced the opening of part of a power plant built with Chinese assistance, and last January a Chinese-built tile factory went into operation.

AID FROM EAST GERMANY

The analysts here report that East Germany has agreed to aid the North Vietnamese telecommunications network and has sent technicans to oversee the reconstruction of the city of Vinh. A 500-man team of Cuban engineers is helping rebuild roads.

Hungary has reportedly agreed to build a hospital in Hanoi and has already provided drugs and medicines. Japanese companies have signed contracts with Cuba to provide construction equipment to North Vietnam, the analysts say.

The intelligence men usually find it difficult to place a dollar value on the aid. The most reliable statistic, they say, is tonnage, which they calculate simply by keeping track of the shipping that goes into North Vietnam. But without closer examination of the goods, they say, dollar values are mere guesswork.

A recent study by the staff of the Senate Foreign Relations Committee reported that North Vietnam received $425-million in economic aid from the Soviet Union and China in 1973 and $290-million in military aid. In the same year, the United States gave $491-million in economic aid to South Vietnam, and military aid was $1.2-billion in the last fiscal year.

This year, Congress is being asked for $750-million in economic aid for South

Vietnam. Some analysts in Saigon estimate that if deliveries to North Vietnam continue as they have so far, economic aid to Hanoi this year will total $1-billion to $1.2-billion, mostly from Communist countries.

INDUSTRIALIZATION AN ISSUE

One knowledgeable Western diplomat said that the Hanoi leadership, in the course of writing a five-year plan, was apparently involved now in an effort to decide to what extent the country should be industrialized. Farming now occupies about 8.5 million of the labor force of 10 million.

"They are talking about converting about 1.5 million to 2 million of those into industrial workers" the analyst explained. But such conversion is expensive he noted. According to a United Nations study, it costs $5,000 to change a worker from agriculture to industry.

Furthermore, the first North Vietnamese census since 1960 disclosed last week, put the population at 23,787,875, as against an estimate of 21 million.

"This means all of the economic problems and demands are worse than we thought they were," an analyst remarked.

[From the Washington Post, Sept. 5, 1974]

TRIMS IN U.S. AID FORCES AIR CUTBACKS

SAIGON, September 4.—Government forces in South Vietnam have cut back sharply on air strikes in response to cuts in American military aid, military sources said here today.

The reduction, stemming mainly from concern over gasoline supplies and prices, was believed to have become sharper in the past week, the sources said.

Saigon's armed forces have been trying to reduce their use of munitions and fuel for several months as the U.S. Congress shows more reluctance to keep up past aid levels. Congressional votes last month to hold military aid here to $700 million in this fiscal year have now prompted sterner measures, the sources said.

Fighting has flared for the first time in many months in South Vietnam's northernmost province of Quangtri, where last year's cease-fire agreement had been relatively effective, the Saigon command said today.

Communist units attacked government troops about 10 miles southwest of Hilang, the command said, and three government troops were killed and three wounded, while Communist losses were put at four.

In Phnom Penh, South Vietnam delivered a formal protest to Cambodia today over oil exploration in disputed waters off their coasts, Cambodian government sources reported.

The text of the note was not disclosed. Earlier reports from the South Vietnamese capital had said Saigon's navy would tear down the drilling rig if it were not removed by Sept. 12.

Both Thailand and South Vietnam have staked out mineral claims to waters off the Cambodian coast.

[From the Christian Science Monitor]

RED'S RETALIATE FOR SOUTH VIETNAMESE ARMY'S LAND GRABBING

(By Daniel Southerland)

SAIGON.—The South Vietnamese Army has paid a price for its land grabbing in the northern part of South Vietnam.

Retaliation by the Communists in this area has led in recent weeks to the heaviest fighting since the ceasefire was declared more than a year and a half ago. The North Vietnamese have regained a good part of the territory they held in the northern-most region at the time of the ceasefire.

Casualties have been high. One well-informed military officer reports that there are more wounded South Vietnamese soldiers in hospitals at the moment than at any time since the cease-fire was supposed to have begun.

But veteran analysts say that the Communists' aims for the moment appear to be limited. The attacks that have occurred are not intended to be knockout blows, they say. In fact, Hanoi is far from releasing the full force of its war machine in the northern region.

"What we are seeing is first an attempt to roll back 'pacification' and second an attempt to make the GVN [Government of Vietnam] more reasonable from the Communist point of view," said one Saigon analyst.

"They [the Communists] are attempting to regain the territory which they claim was theirs on which in fact was theirs at the time of the signing of the peace agreement," this analyst said.

MOBILITY SHOWN

Some analysts think that the current attacks may also turn out to be a prelude to some sort of new Communist political initiative coming perhaps as early as the beginning of next year.

One thing which the recent fighting has clearly demonstrated is the improved mobility of the Communist forces in South Vietnam. One Communist regiment, the 29th, appeared quite suddenly and unexpectedly during the fighting around Thuong Duc last month. The soldiers in this regiment were rapidly deployed in trucks, thanks to new roads developed by the Communists since the cease-fire.

Intelligence experts agreed that the North Vietnamese currently have enough material stockpiled in South Vietnam to launch a general offensive lasting many months.

South Vietnam's President, Nguyen van Thieu, has been predicting such an offensive for more than a year now. His information minister announced that a major offensive was imminent five months ago. But the much-predicted offensive has not come.

President Thieu's predictions are seen by many observers as part of a South Vietnamese public-relations effort designed to secure continuing support and sympathy from the United States.

The predictions may also be designed to help maintain South Vietnamese Army discipline and to provide a pretext for Mr. Thieu's continuing refusal to agree to certain political provisions called for in the Vietnam peace agreement.

Contrary to Mr. Thieu's predictions, there are a number of reasons for believing that a major offensive is far from imminent:

The rate of conscription and the rate of military training in North Vietnam are both currently at low levels. One would expect them to be at high levels before an offensive.

While Hanoi has the supplies to carry out a major offensive, it has not been sending troops into the South in large enough numbers to indicate preparations for an offensive. Nor has it distributed its supplies in a manner that would signal an imminent offensive.

North Vietnam's strategic forces have not shifted their posture in a way that would point to an offensive.

There are numerous indications that the North Vietnamese are putting much of their energy into solving major economic problems and that they have given their highest priority to the repair of war demage in the North.

CUT IN SUPPLIES HINTED

Some analysts are convinced that while the Soviet Union and China continue to provide considerable military and economic assistance to North Vietnam they have actually cut down on deliveries of military supplies.

These analysts are equally convinced that if the North Vietnamese launch a major offensive they cannot count on having the Soviets and Chinese replace all their lost ammunition and equipment. If these analysts are correct, the North Vietnamese stand to gain more from a step-by-step approach to gaining control in the South than they do from organizing an all-out offensive.

[From the Manchester Guardian, Aug. 31, 1974]

CAN HANOI'S TACTICS TIP THE BALANCE?

(By Martin Woollacott)

The Vietnam war, still by far the biggest and bloodiest in the world, seems sometimes no more than a wearisome re-enactment of the same battles against a familiar background of ruins and fleeing refugees.

The South Vietnamese army is now trying to contain North Vietnamese thrusts in two areas—the "Iron Triangle" north of Saigon, and the valleys and hills south of Da Nang—that are ancient killing grounds of the war.

But the sameness is misleading. The last few months have seen significant changes in the nature of the war that have been maturing gradually since before the cease fire and are summed up by the remarks of an American military man. "The equilibrium is shifting."

The equilibrium has shutted in the sense that the North Vietnamese have now embarked for the first time since the 1973 cease-fire, on a limited national offensive campaign aimed at taking key territory—and people—from the Saigon Government.

This is not a general offensive like that of 1972. It is nevertheless no small affair, the South Vietnamese have as many men committed to the two biggest battles as the Turks have in Cyprus.

To put it into perspective you have to go back to the fighting around the time of the ceasefire when the South Vietnamese basically won most of the little battles that erupted when the Communists tried to fly their flags in large tracts of the countryside. For the rest of that year the South Vietnamese continued essentially in an offensive spirit.

The Communists of course responded but in a fairly localised way although they also conducted their own offensive against Saigon positions in or on the fringes of what they considered to be their undisputed territory, taking about 150 such outposts.

But it was mainly the South Vietnamese who set the pace and President Thieu made it explicit in January this year when he called on his commander to seek out the enemy in their base areas. About the same time the South Vietnamese air force began to fly routine air strikes against Communist zones.

In a major two-division-size operation the South Vietnamese entered the region west of the Saigon River and cleared it, at least temporarily, while in the delta the South Vietnamese 7th and 9th Divisions attached Tri Phap, a key North Vietnamese base area. When the North Vietnamese began to move their 5th Division southwards in possible response to this, the South Vietnamese moved on the Communist division from both sides and hurt it badly.

Throughout the year since the ceasefire the Communists had pursued a policy of comparative restraint as they tried by diplomatic means to put pressure on Saigon to accept the political provisions of the Paris agreement. Representations to the U.S. Government and meetings with Kissinger leading nowhere, they seem to have decided some time this spring, to go over to a limited offensive which they announced on their radio and elsewhere, in a public way.

They showed their hand first at Ben Cat, North of Saigon where the North Vietnamese 9th Division took up carefully chosen positions on comparatively high, dry land in May and waited for what the South Viet-

namese would throw at them. Saigon put the 18th Division in. Six weeks later the 18th withdrew having taken 2,500 casualties—and the North Vietnamese still held the most important positions, although they had conceded a few.

In the last few days what is essentially the same battle has begun again south of Ben Cat in the overgrown tract of land between the Saigon River and a lesser stream, the apex of the famous Iron Triangle. The positions which held near Ben Cat now protect the left flank of the Communist forces. Not that the North Vietnamese have any intention of driving on closer to Saigon, but rather to secure a base area and a corridor of approach for some later stage in the conflict.

In the same month that they moved at Ben Cat the Communists began a campaign in the central coastal area to close the main North-South road, Route One, but succeeded in this only very briefly. Farther North they moved two regiments into the valley of the Thu Bon south-west of Da Nang.

Brushing aside small outposts at the very head of the valley they surrounded a town called Duc Duc, although only after a fierce and bloody encounter with a North Vietnamese regiment.

Another North Vietnamese regiment coming into the valley from the northern side took the town of Thuong Duc. Saigon's reaction was to order to the valley—the second most productive rice-growing area in the north and a strong Vietcong region in the past—two brigades of the Airborne Division. One came from Saigon, where it constituted the whole of the Strategic Reserve the other from the Quang Tri front.

The fact that the North Vietnamese are once again on the offensive in response to what they see as Saigon's political intransigence and military provocation is not the only change in the war. The more basic shift in balance is that the North Vietnamese are becoming more and more of a conventional army as the South Vietnamese are becoming largely through lack of funds less of a sophisticated one.

North Vietnamese troops now ride to battle in lorries just like the South Vietnamese and with the improvement of the Ho Chi Minh trails into virtual highways, for much of their length all their old problems of battlefield supply are much diminished.

In the old days the North Vietnamese needed six months to prepare a battlefield. Now they have large stockpiles and the movement of both troops and supplies is infinitely easier. Their troops go into combat with towed antiaircraft guns, and supported by ample field artillery and in fact, except in the extreme South, with every appurtenance of modern war except air cover itself.

Meanwhile the South Vietnamese have already had to cut their fuel consumption by half, restricting their mobility and their use of armoured personnel carriers as well as lorries. Their massive edge in field guns over the North Vietnamese has been cut into by ammunition rationing and their air force, too, is hampered by shortages of ordnance.

The technical superiority of the South Vietnamese forces is in other words, being eroded both by improvements in the mobility and the equipment of the North Vietnamese and by the reluctance of the US to continue the supply of arms, fuel, and ammunition at the old rates.

This shift in the balance essentially in favour of the North Vietnamese, does not mean most informed people here believe that the Communists will soon go over to a general offensive. A recent report of the Senate Foreign Relations Committee suggested that the Communists are "unable to acquire the decisive edge required to defeat the South militarily."

Only a general offensive itself could test that assertion but in any case there is ample evidence that the North Vietnamese and the Vietcong think the gamble involved a pointless one.

[From the Washington Post, Aug. 24, 1974]

GUNS TELL A FAMILIAR STORY ON THE ROAD TO TAYNINH

(By Philip A. McCombs)

TAYNINH, SOUTH VIETNAM.—Graham Greene had a couple of characters in his book, "The Quiet American," who got stuck overnight in a roadside outpost between Saigon and this provincial capital, 55 miles to the northwest.

They had driven here from Saigon safely during the day but when they ran out of gas in the late afternoon, halfway back, they found themselves dodging bullets and barely surviving the night.

It has been nearly two decades since "The Quiet American" was published. Much has changed in Vietnam, but not the security conditions on that road.

Fighting in Tayninh Province during the past week has been the heaviest since the Paris cease-fire agreement was signed 19 months ago. Fighting has also intensified in Haunghia Province to the south, through which the road also runs.

Fighting seems to have intensified throughout South Vietnam during the past two months. Analysts in Saigon are not sure why, or whether it might ease off or develop into a countrywide general offensive by the Communists.

Outposts here have been shelled and overrun. Villagers have been uprooted. Cannonfire sounds across the landscape, and some of the fighting has come close enough to menace Tayninh's road link with Saigon.

The road is flanked by traditional Communist strongholds, and it is out of these areas that many of the new threats are coming—the woods to the southwest of here and near the Cambodian border, the Boiloi and Hobo woods farther south.

At several locations 10 or 15 miles south of here, neat rows of plantation rubber trees come right down to the road.

At one of these places, a smiling national policeman dressed in a gray uniform stopped a car from turning in a dirt road that led off the main highway and deep into the rubber plantation.

"An outpost was overrun about a mile in there the other day," he warned, "and the Vietcong aren't letting the plantation workers go in there to work today."

He added that the Vietcong "usually allow them to go in to work," suggesting a kind of peaceful, informal arrangement between the two sides that now seems to have broken down.

The policeman said there were probably Vietcong only a few hundred yards down the road.

"Anyway," he smiled, "I'm not going more than a few steps in that direction myself." His outpost was located right on the main highway.

A few miles further on, on the way to Tayninh, was a dirt fort located right beside the main highway. The sergeant in charge said the Communists had dropped several rockets and shells a day into the area—some quite close to the main highway—for three days.

He said this had not hindered the flow of traffic on the highway, but that a nearby outpost like his, with about seven men, was overrun a few days ago.

The sergeant seemed nervous—starting violently at the sound of an artillery round being fired nearby.

About five miles south of Tayninh, soldiers told of battles that had been fought during the past few days when the Communists moved in and attacked outposts.

In Truongluu hamlet, for example, soldiers said the Vietcong had gone through the hamlet warning all the people to get out because they were going to attack the outpost. The Vietcong attack was then driven back.

The soldiers proudly showed off the assorted boots and items of clothing left by their enemies, splotches of earth where mortar rounds had fallen, and the red, blood-soaked ground where they said Communist troops had died.

"I've been actively fighting the Communists for 15 years," said a proud lieutenant. "I fight very carefully, and I always beat them I always win."

He was not at all nervous.

A mile farther on, near the hamlet of Truongxuan, several hundred persons were gathered by the roadside. They were excited.

"The Vietcong are in our hamlet right now," said an old man, pointing down the road.

The people said that there had been fighting all morning as government troops tried to take back the hamlet, but now the government soldiers had knocked off for lunch and so there was no fighting. Maybe it would start up again later in the afternoon, they said.

One man said, "I was working in the field when the Vietcong came up and as soon as I saw them I took off."

Another said, "the Vietcong kept several of us for a few hours and made us haul bodies around. Then they let us go."

Several of the men made clear that they were not so much afraid of the Vietcong as they were of the fighting itself.

"Some helicopters came in shooting and we were afraid of getting killed," said one. "What else should we be afraid of?"

One old man said, "The people are not afraid of the Vietcong or the government. They're all the same to us. We're afraid of the fighting and stray bullets."

The hamlet chief drove up on his motorcycle from the direction in which the fighting was supposed to be, and this candid conversation with the villagers came to an abrupt end.

The hamlet chief, Tran Binh Dai, said there were 1,700 people in the hamlet. He said about 120 Communist troops entered a couple of days ago and were driven out.

Then they came in again this morning, he said, and were still there, controlling about one-third of the land area of the hamlet.

He said, "Their purpose is to destroy the hamlet office and kill all the hamlet officials, overrun the outpost, and then grab the land and live there."

He said most of the Communists appeared to be regular North Vietnamese army soldiers with the rest local Vietcong.

Then the hamlet chief led the way down the road toward the Communist positions and showed how the hamlet office had been attacked.

He pointed to a splotch of blood on the earth and said the female leader of the attack on the hamlet office had been killed there.

Suddenly some of his men trotted toward the jungle just behind the hamlet office, a small stucco building, and with big smiles on their faces pointed their rifles into the brush.

"Three of the Vietcong have just jumped up and run in this direction to circle behind us," explained the hamlet chief.

Some of the heaviest fighting is taking place near the Cambodian border several miles west of Tayninh.

The area of this fighting was inaccessible, but about halfway there, beside the road, the government has set up an artillery position with at least five 155-mm guns, half a dozen 105-mm, cannons, and other big guns.

It was an extraordinary concentration of firepower for this area, and most of the guns were firing regularly—five or ten rounds a minute.

A government spokesman in Saigon said he does not think the current fighting poses a threat to Tayninh city itself.

About 230,000 people live in and around the city. The province's total population is 427,000 and the government is thought to have firm control over about 80 per cent.

The wilder parts of the province north of Tayninh city, and the cross-border areas inside Cambodia, have been traditional Communist base areas and infiltration routes.

[From the Washington Post, Aug. 26, 1974]

SAIGON ABANDONS OUTPOSTS

(By Philip A. McCombs)

SAIGON, August 25.—In a significant shift in policy, South Vietnam has for several months been abandoning military outposts throughout the country that it no longer has the resources to defend.

The shift is being forced by diminishing U.S. military aid to Saigon, observers say, and it marks the first time in the Vietnam war that Saigon has followed a general policy of drawing its forces back to stronger lines of defense in the interior.

In the past, Saigon has consistently followed an aggressive defense policy, cutting off Communist supply routes, preempting attacks when possible and setting up outposts deep in Communist-controlled areas.

"Now we're drawing back," an official said privately. "We have no choice. Remote outposts are being closed down to save the large amounts of fuel and ammunition that it takes to keep them going."

In addition, the official said, positions along highways are being consolidated, and outposts in relatively secure areas are being closed down when it is judged that they are not essential.

Official figures are not available, but sources said 120 of Saigon's approximately 3,000 outposts in the Mekong Delta—the rich rice-growing region south of Saigon where nearly half the nation's population lives—have been shut down recently.

There are tentative plans to shut down as many as 500 more, sources said, but it is not known how soon this might take place.

The Delta appears to be the only place where the closings are going on in a systematic fashion. Outposts are being closed elsewhere in the country as the military situation dictates or permits.

An aggressive defense policy was in force when American troops were in Vietnam, and even after the cease-fire agreement went into effect 19 months ago Saigon had a seemingly limitless supply of ammunition and other military aid with which to carry on a similar policy.

For more than a year after the cease-fire, huge sweeps were conducted through Communist base areas and even across the Cambodian border.

Before and even after the cease-fire, the government forces set up many outposts to monitor Communist activities in contested and Communist-controlled areas, and these outposts also directed interdiction and harassment efforts.

Massive quantities of ammunition were used, especially artillery ammunition, some of it fired at random into Communist areas, as American soldiers had done in the past.

Vietnamese and American officials decline to give precise figures, but they say the amount of ammunition available to the South Vietnamese forces has gone steadily downward and has now reached critically tight levels.

Ten months ago, it was easy for a reporter in Vietnam to gather stories from peasants and soldiers of massive artillery use by government troops, even on small and relatively insignificant operations.

For the last several months this kind of story could no longer be gathered, having been replaced by equally convincing stories from soldiers that they had been ordered to conserve every shell and bullet.

The cutbacks are the result of action by the U.S. Congress to limit military and economic aid to the Saigon government.

Officials are fearful of what the trend means. Closing outposts and drawing back, they say, means the Communists have a freer hand to continue the development of their logistics system deep into the south and to plan and carry out attacks without interference.

"We'll just tighten up our defenses and pray that we can deal with the crunch when it comes," said a South Vietnamese official.

No one is sure when the crunch—a countrywide Communist general offensive—might come, but right now the level of fighting is the highest in South Vietnam since the cease-fire.

Some informed officials believe that the fighting will continue in this level through November, when the dry season will begin again over the Communist road network from the north, and then possibly, if Saigon continues to appear weakened by U.S. military aid cutbacks, turn into a general offensive.

Other observers believe that, while Hanoi is keeping open the option of starting a general offensive, no decision to do so has yet been reached, and there may be none for a year or more.

Apprehensions about Saigon's weakness come at a time when there are thought to be roughly 200,000 North Vietnamese army troops in the South, equipped with more tanks and sophisticated weaponry and ammunition than ever before.

The Communists have the capacity, according to intelligence estimates, to launch a countrywide general offensive and sustain it for as long as a year.

Reliable sources say there are six North Vietnamese combat divisions in reserve in North Vietnam, one of them poised above the Demilitarized Zone and capable of being fully committed in action in the northern part of South Vietnam within two days.

The other five divisions could be in action in the South within a period ranging from several days to several weeks, the sources said.

But if the aid cutbacks are forcing Saigon to close down outposts, they are also forcing government forces to adopt some effective new tactics, observers say.

When Communist troops occupied a hilltop position north of Danang recently, for example, government forces did not pound the hill with artillery and air strikes.

Instead, they surrounded the bottom of the hill, cutting off all supplies to the Communists, and waited. While they waited, they probed constantly with small infantry actions. After two weeks, the defenders were out of ammunition and the government regained the hill.

Aside from outposts the government has abandoned, Vietnamese military sources say that since the cease-fire the Communists have overrun and captured 150 government platoon-sized, eight battalion-sized and two regimental-sized outposts.

CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. The period for the transaction of morning business is closed.

CONSUMER PROTECTION—AGENCY FOR CONSUMER ADVOCACY

The ACTING PRESIDENT pro tempore. Under the previous unanimous-consent agreement, the hour of 9:30 having arrived, the Senate will now resume consideration of the unfinished business, S. 707, which the clerk will state by title.

The assistant legislative clerk read as follows:

A bill Calendar No. 857, (S. 707) to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants in order to protect and serve the interests of consumers, and for other pruposes.

The Senate resumed the consideration of the bill.

The ACTING PRESIDENT pro tempore. The Senator from Alabama is recognized.

Mr. ALLEN. Mr. President, I yield myself such time as I may require.

I see the distinguished Senator from Ohio (Mr. TAFT), has come on the floor, and if he is ready to proceed with his remarks, I will yield to him because I know he has another important engagement he needs to fill, so I yield such time as the distinguished Senator from Ohio may require.

Mr TAFT. Mr. President, Senate bill 707 is legislation which in good conscience I must oppose as a Member of this body, as a consumer, and as a lawyer. This proposed legislation might be more properly entitled the Lawyers Relief Act of 1974 rather than the Agency for Consumers Advocacy Act of 1974. This legislation would do nothing more than complicate and impede the orderly administration process within our Federal agencies. It would set up a conflicting requirement in the law to protect the consumer interests against actions which are duty bound to be taken to protect the public interest.

For example, the laws which resulted in the establishment of the Federal Trade Commission and other regulatory agencies provide that they shall act in "the public interest." But who are the members of the public? Every member of the public is a consumer. Moreover, what a consumer consumes, he or someone else produces. Therefore, it is in the interest of the public that the regulatory agencies act to protect all aspects of the interests of consumers; from obtaining raw materials, through the production and distribution chain, to final marketing.

All these things must be included when action is taken in "the public interest." Do we wish to splinter such proceedings so as to have a proceeding undertaken which would be only for the enhancement of the consumer interest in his purchase of goods to the detriment of his

interest in the production or sales of such goods?

The elements are inextricably intertwined. The impact of S. 707 would be to splinter and impede action of regulatory agencies which under the law they are required to take.

The consumer interest and the public interest ought not to be considered at variance as the proposed legislation appears to assume. Rather, the public interests and the consumer interests are bound together, and it would be foolhardy to attempt to determine the public interest without also considering the specific interest of consumers as well as the other competing interests which play in our economy.

But, proponents, of this legislation would establish an agency for consumer advocacy because they allege the existing regulatory agencies do not properly consider the public interests. The proponents of S. 707 go so far as to State that the regulatory agencies are under the influence of the very interests they are supposed to regulate. In other words, it assumes that the regulatory agencies are corrupt.

If we have corrupt regulatory agencies, the corruption is in the people who operate the agencies, not in the law that created the agencies. Nor would the corruption be in the brick and stone which are used in the housing of such agencies. Therefore, the cure for the corruption would be the removal of the corrupt people and not the creation of another agency which, because of its broader powers, is even more likely to be headed by corrupt people to oversee agencies said to be headed by corrupt people.

This lethal defect with the underlying philosophy of the Agency for Consumer Advocacy, however, has been cleverly obscured by the rhetoric of the proponents of this legislation. At the outset I stated that this legislation could be more appropriately named the Lawyers Relief Act of 1974—and, I say this with much conviction.

Cleverly disguised within the technical language of the provisions of this bill are powers given to the Consumer Protection Agency which will impede the work of existing regulatory agencies prescribed by legislative mandate. This effect of the ACA bill is not readily apparent, however, and, indeed, it takes a thorough knowledge of administrative law and administrative process before one can begin to comprehend the adverse impact of this legislation.

If we were, for example, to look at the intervention provisions within section 7 of the bill with a critical eye trained in the background of the applicable law, then it would become apparent to all of us that this legislation will have two effects. First, it will build new banks of attorneys on all sides of every issue; and second, it will hopelessly delay and impede the administrative process.

If my colleagues within this body will bear with me, I would like to review recent developments in the administrative law which have led me to these conclusions. The story begins in 1967 with the Supreme Court decision of Cascade Natural Gas Corp. against El Paso Natural Gas Co. In that case, the Court ruled that the State of California, Southern California Edison, and Cascade Natural Gas as parties should have been allowed to intervene as of right pursuant to Rule 24 (A) of the Federal Rules of Civil Procedure, because it appeared that these parties had a special direct substantial interest in the outcome of the litigation involved.

Over the years, the courts have been careful to avoid allowing intervention unless such standard as that has been met. This has been especially true where the parties seeking to intervene did not rely upon a specific statute authorizing invocation of the judicial process through intervention. In other words, the courts have held that where a party seeks to intervene, it should be established that such a party has a recognizable stake in the outcome of the controversy.

The administrative saga then jumps to 1972 with the Supreme Court's decision in Sierra Club against Morton. There the Court held that a group of citizens having a mere passing interest in the problem, no matter how longstanding the interest and no matter how qualified the organization might be in evaluating the problem, it is not sufficient by itself to render such organization "adversely affected" or "aggrieved" within the meaning of the Administrative Procedure Act. To have ruled otherwise would have meant that the Supreme Court of the United States would have been laying down a rule that would permit all sorts of mischief in the handling of adjudicated proceedings in the courts, because it would have allowed every Tom, Dick, and Harry who cared to become involved in litigation to intervene. This, I submit, is in effect what is provided for in S. 707. True, it appears that the proposed legislation would permit intervention only by the Administrator of the ACA, but in section 7(f) there is the language:

> The Administrator is authorized to represent an interest of consumers which is presented to him for his consideration upon a petition in writing, by a substantial number of persons or by an organization which includes a substantial number of persons.

In other words, if a club should have turned out to be a consumer organization—or if a club or association argues that it is representing a consumer interest—and wishes to have an appearance made before the Federal Trade Commission or the Federal Power Commission and appeals to the Administrator of the Consumer Protection Agency to intervene on their behalf, then, in this proposed legislation, there is the authorization for the Administrator to do so.

This proposed legislation provides that the Administrator of the ACA may intervene as of right as a party or otherwise participate with the purpose of representing the interests of consumers in already adjudicated proceedings before the Federal regulatory agencies. This is a vital and deliberate change from existing law. For example, section 5(B) of the Federal Trade Commission Act now provides as follows:

> Any person, partnership or corporation may make application and upon good cause shown may be allowed by the Commission to intervene and appear in said proceeding by counsel or in person.

I emphasize the requirement that good cause must be shown. Under the proposal now before Congress, however, the parties through the name of the Administrator of the ACA would be permitted to intervene as of right as a party. There is no limitation on the extent of such intervention. This would mean participation by such party at each and every stage of the proceeding.

For example, intervention could be demanded as soon as it is known that a proceeding is being undertaken by an agency against a party for what the agency would believe to be a probable violation of law. This would include the stage at which representatives of the agency of the Government and representatives of the party expected to be charged with the violation would be engaged in efforts to conclude any possible controversies by entering into consent agreement correcting practices that need to be corrected.

This would be especially true at the stage when a determination upon a complaint or a proposed complaint had been made by the Federal Trade Commission that it would issue a consent agreement. Under the rules of the FTC that agency is required to undertake negotiations with the party expected to be charged. This is for the purpose of determining whether the proposed litigation might be avoided by negotiations for a consent settlement of the matter.

An example of this is the proceeding entitled, "In the Matter of Campbell Soup Company" which came before the Federal Trade Commission questioned an advertisement by the Campbell Soup Co. The representatives of the Commission under the Commission's rules had successfully negotiated a consent agreement settlement of the matter which contained provisions for a cease and desist order prohibiting the practice for all times in the future. Pursuant to its consent order procedure, the Commission placed the agreement on the public record for a period of 30 days for comment. A group of students who had organized what they call Students on Unfair Practices petitioned the Commission to reopen the matter and allow them to intervene so they could, during the course of an adjudicative hearing, advise the FTC on the need for a more stringent cease and desist order.

That request was denied, principally because the case did not justify the expenditure of additional resources which an adjudicative hearing would have entailed. However, the FTC did grant the students a hearing and allowed them to file statements of their views and advice. The Commission also pointed out that

under existing law and its rules of practice there was no provision for intervention in consent order proceedings.

It was also pointed out that the Commission's practice of placing proposed consent agreements on the public record for a period of 30 days to permit comment thereon provided for greater participation by members of the public in the formulation of agency decisions than had been the practice years in the past.

Moreover, it was pointed out that this practice would insure that the Federal Trade Commission would be able to get from the petitioners or any other parties information which would advise it on whether or not it was entering into inappropriate agreements through the lack of awareness of important factual considerations or serious miscalculations of what constituted an appropriate order in the circumstances involved.

The Commission, in the Campbell Soup case, pointed out that the resources factor was one primarily responsible for the denial of the request for intervention. That factor is perhaps one of the most crucial and at the same time probably the least understood among those that are involved in the denial of the petitions for intervention in adjudicative matters. This is intertwined with the matter of unnecessarily loading down adjudicative matters with multiplicity of parties and issues particularly in instances where petitions for intervention are not made by parties who have a personal stake and a direct interest in the outcome of the proceedings as was the case in the El Paso gas matter to which reference has been made.

In other words, efforts should be made to avoid widespread intervention unless there is a direct personal stake by the party who seeks to intervene and who would be subject to direct injury by the possible outcome of the proceeding rather than just having a general interest in the proceeding.

Another example of situations where intervention probably interferes with the orderly conduct of public business and the appropriate resolution of adjudicative proceedings is when intervention occurs at the stage where the parties to the adjudicative proceeding are endeavoring to refine, clarify, and reduce the issue to avoid protracted litigation.

The effort to clarify, refine, and reduce issues as well as to enter into consent settlements sometimes occurs during the course of prehearing conferences between counsel for the parties. Heretofore, efforts to settle lawsuits through negotiation by the parties has been considered one of the most valuable tools for conserving the time of the courts and the time of the administrative agencies in their efforts to reduce protracted adjudicative proceedings.

The use of pretrial hearings, particularly in our Federal courts, is designed to try to achieve that purpose.

If those efforts fail, or if they are interfered with so that the majority of all the cases move through litigation rather than being brought to conclusion through negotiation, then all members of the public will suffer including the consumer.

Particularly, those will suffer who require justice to be done because, as we know it more even today, I think, than ever, a justice delayed can be justice denied.

It is clear to all of us who have had experience in adjudicative proceedings that parties will not be very likely to engage in conferences for the purpose of determining whether they can give and take and enter into consent arrangements for the resolution of their issues if others are present or if all of their negotiating efforts are to be made public.

If adjudicative proceedings are to become intertwined and hamstrung and loaded down with such interferences, consent settlement proceedings will almost cease to exist because parties will not permit themselves to get involved in arguments with others than those representing the public in the lawsuit.

Instead they will resort to litigation on the public record even though it is more costly and time-consuming than to settle the matter by negotiation. Who loses in such instance? It is the public. The taxpaying public, the consuming public, and all others.

According to available information, approximately 85 percent to 90 percent of all formal adjudicative matters which are filed by the Federal Trade Commission are now settled by consent settlement. They do not go to litigation. If the parties in such proceedings decide to avoid consent negotiating conferences because others than the parties to the lawsuit are to be sitting in and participating in the efforts to settle such suits. Then the procedure for settling by consent will be rarely used. Very few cases will be settled by consent. Most will go through lengthy litigation. At present the Federal Trade Commission is settling probably 280 out of a little over 300 cases filed. Only 20 to 30 cases per year go to litigation. If all of its cases should be compelled to be litigated it is likely that the Agency's litigating force will have to be expanded tenfold in order to accomplish the same number of actions it is presently undertaking and concluding. To carry out its mission, the Consumer Advocacy Agency could justify a similar staff.

An outstanding example of the use of existing law to effectuate successfully an important formal proceeding by consent settlement after negotiation of counsel for the public and counsel for the accused is the case brought by the Federal Trade Commission entitled "In the Matter of the American Iron and Steel Institute." There, the American Iron and Steel Institute and approximately 100 large corporations included in its membership were charged with illegal price fixing through their use of an agreed upon basing point system of pricing.

The hundred or so corporations were steel producers, including the United States Steel Corp., Bethlehem, Republic, and other prominent steel producers. The prospect was for a decade or more of litigation. However, after several months of negotiation, the matter was settled through an agreement providing for a consent cease and desist order.

It was provided that the order and the findings upon which it was to be based were to be placed upon the public record for a period of 30 days within which anyone who felt that it did not properly serve the public interest would have the opportunity of commenting and advising the Federal Trade Commission before it finally approved the consented and agreed upon settlement.

No comment and no objections to the proposed agreed upon settlement were filed and finally, the Commission agreed to accept and approve the settlement which was done. In that case, those accused had employed more than 80 attorneys to represent them. The negotiations were possible only because the companies, through their counsel, agreed to undertake negotiations through a committee selected by themselves. A committee of three who met and conferred with counsel representing the public.

It is almost certain that if additional persons had been involved in such negotiations as would be provided for under the pending and proposed legislation in S. 707, then the negotiations in the Iron and Steel Institute case could not have been carried forward successfully and the case thereby concluded. Instead, it is possible that that case could have gone on for more than a decade with the public being the loser and the objectionable practices continuing in the interim.

The Federal Trade Commission, once it has found a basis for determining that there is good cause for allowing intervention in its cases, has moved to permit such intervention. for example, "In the Matter of Firestone Tire and Rubber Co.," the Federal Trade Commission, upon request permitted groups of attorneys who allegedly represented public interest aspects of the problem to intervene and participate in that proceeding. There, the intervenors not only participated, but filed briefs and participated in the arguments before the Commission to state their points of view concerning the type and extent of injunction that should be issued in the case against the Firestone Co.

The action of the Commission in permitting intervention was not one of arbitrary action, but one based upon what the Commission had concluded was, perhaps, a showing of good cause. This is the way it should be and not as provided for in the proposed pending legislation provided in S. 707 where the Commission would have no authority whatsoever to deny the application of the Agency of Consumer Advocacy representative.

Years ago, the Federal Trade Commission, "In the Matter of Federal Trade Commission Docket No. 760," involving the United States Steel Corp., permitted intervention by representatives of various States and some other parties through their attorneys. This was after those parties had, to the satisfaction of the Commission, shown good cause why they

should be permitted to participate. In other words, the Commission had concluded they had shown good cause.

In other cases, including that one entitled "In the Matter of Kennicott Copper Corp.," complaint issued May 8, 1970, the Commission denied the request of the United States Steel Workers Association intervention in the case. There, the United States Steel Workers Association admitted that its sole purpose in seeking status as an intervenor was to be eligible to appeal a Commission decision if the Commission should dismiss the complaint.

The Commission did not consider that USWA had shown a basis of good cause to justify the Commission's granting intervention. Indeed, following the Commission's decision in that case, after the issuance of an order to cease and desist, based on a litigated record, the USWA withdrew its petition to intervene.

In that case, if the Federal Trade Commission had ruled that USWA had met the good cause requirement simply by saying that it should be given an opportunity to appeal a decision with which it was not satisfied then that would mean any applicant with a claimed interest in a proceeding could do the same. That result would obviously have proven impractical and would have been a result which Congress sought to avoid in order to prevent the Commission from becoming a trade court settling private controversies, instead of being required to act only in the interests of the public. The Supreme Court held, in the 1929 case of FTC against Klesner that section 5 of the Federal Trade Commission Act does not provide private persons with an administrative remedy for private wrongs.

If certain organizations of persons should come to the Administrator of the proposed Agency for Consumer Advocacy and persuade him to intervene on their behalf before the Federal Trade Commission as provided for under the pending legislation, S. 707, then it would mean that the Federal Trade Commission would be turned into a sort of trade court for the settling of wrongs or imagined wrongs to a particular group instead of acting in the interests of the public generally. Thus, there is a distinction between an agency such as the Federal Trade Commission acting in the interests of the public and the U.S. district courts, acting under rule 24 of the Federal Rules of Civil Procedure. Rule 24 permits intervention by a private party based upon potential injury to private interests alone. That is the place for real or imagined wrongs by one or more in a group of consumers to have their cause heard instead of interfering with proceedings before regulatory agencies who are acting in the interests of the public generally.

I apologize to my colleagues for having had to bear with me through this tortuous, but I believe necessary, exposition of the administrative law in the area of intervention in agency proceedings. I think I have demonstrated that under existing law, when and where parties can show that they are entitled—because of a showing of good cause and because of the equities of the situation—to intervene and participate in proceedings they have been allowed to do so. For example, in the El Paso case intervention was permitted when it was brought under the antitrust laws by the Department of Justice. The same rule was followed by the Federal Trade Commission when a case involving the Firestone Tire & Rubber Co., was instituted.

I have concentrated today upon adjudicated matters. That is, with adversary proceedings in which particular issues are litigated between the moving party and the defendant in the matters. The law and rules of practices providing for the right of parties in such a formal adjudicated proceedings, where there is a trial of precise issues, are quite different from the applications of law and rules of practice where you have proceedings involving industry-wide and community-wide problems being heard before administrative law bodies. These industry-wide and community-wide problems are quite susceptible of being heard by administrative law agencies in rulemaking and general hearing proceedings such as are provided for in the Administrative Procedure Act, under the general heading of "rulemaking."

There the rights of parties and of interested persons to participate as well as the procedures for their participation are set forth. Under this provision of the law, the hearings of Federal regulatory agencies have been opened to members of the public who appear as interested persons in the proceeding.

The Supreme Court of the United States has held, in effect, through a denial of petition for certiorari in Scenic Hudson Preservation Conference against Federal Power Commission, of 1966, that in such proceedings arising under this section of the law, persons having an interest in the proceeding, have standing to have the decision of the agency reviewed.

Likewise, other Federal courts, such as, for example, the U.S. court of appeals in the case of Office of Communication of the United Church of Christ against Federal Communications Commission, decided in 1966, held that under certain circumstances a genuine and legitimate interest is sufficient reason for granting standing to intervene and to participate in such proceedings as that one before the Federal Communications Commission.

There the intervenor sought to appear and present evidence and arguments opposing the renewal of an application for a license for a broadcasting station. Thus, it is seen that where industrywide and communitywide problems are of interest to great numbers of consumers, the consumers, under existing law, have, as a matter of right, the opportunity to appear and present their views and participate in the proceeding, and even to the extent of appealing to a court to reverse the regulatory agency if it should erroneously decide the matter. For such purposes existing law is sufficient to meet the needs of any particular group of citizens.

What all this means is that there is no need to institutionalize any consumer proponent individual or organization as the proponents of S. 707 would have this body do. Rather, within the framework of the existing law, there is ample opportunity for aggrieved consumers, whether individually or as a group, to appeal the decisions and even to participate in certain of the decisionmaking processes of the administrative agencies. There is no demonstrable need for a Consumer Protection Agency.

Furthermore, as I stated at the outset, it is impossible to determine what is the consumer's interest as distinct from the public interest. From this standpoint, if nothing else in my argument persuades you, that should be reason alone for this body to reject the proposed legislation. However, as I have indicated, the existing law does provide for the needs and concerns which the proponents of this legislation have surfaced. The enactment of legislation which creates another layer of bureaucracy would only further confound and impede the resolution of problems which come before the administrative agencies. For these reasons, I urge you to vote with me and reject this Agency for Consumer Advocacy.

Mr. President, the Washington Star-News on July 9, 1974, printed an editorial entitled "A Consumer Bureaucracy," which comments on some of the matters that I have covered more fully here this morning.

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

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

[From the Washington Star-News, July 9, 1974]

A CONSUMER BUREAUCRACY?

Only the highest motivation propels all those people and groups now pleading—with good chance of success, we fear—for creation of a federal Consumer Protection Agency. They want to rid the marketplace of flim-flam and faulty products. They see vast benefits if the consumer becomes really entrenched in Government with a watchdog agency of vast power. And, having scored a three to one victory for this proposition in the House, they now are knocking on the Senate's door.

The Senate should be very cautious, we think. Behind the idealistic gloss, there are many nettles in this plan. The House was stampeded into approval by election-year pressures, and the vote does not reflect the grave reservations which many members had about the proposal. But the Senate need be in no such hurry. It can take time to ponder the reforms passed in haste heretofore that have grown into monstrosities, costly beyond anyone's prior imagination.

This new agency would be stoutly independent, with incomparable authority to take action—legal and otherwise—over a sweeping spectrum of government, industry and business. Its administrator, needless to say, immediately would be one of the most powerful persons in the country—intervening in affairs of other government agencies as well as the private sector. A good question is whether any single person should have the awesome power to speak for the consumer that's envisioned here. And not only business is troubled by this: Though the AFL-CIO supports the measure generally, it wants

all labor affairs exempted from scrutiny by the consumer czardom. Unless this is done, it may oppose the bill. "We don't regard labor relations as having a consumer interest," a spokesman said. "We don't want another government agency intervening in labor-management relations, sticking their noses in our affairs."

Sounds a lot like business speaking, doesn't it? If labor affairs—which even get into the uses of certain prefabricated products—don't affect consumers, what does? No doubt other segments of society also will want to be exempted. The trouble is that about everything is consumer-related; the consumer agency operatives will have to cover an incredible field. They'll be authorized to do it, too, under this bill, often duplicating protective functions of other agencies, as in safety and public health, for examples.

And the immeasurable scope of this assignment makes one thing inevitable: a ballooning new bureaucracy. An agency that theoretically can be called upon to seek amends for every faulty toaster, and premature tire blowout in the country will have thousands of people on the payroll before long, including an army of lawyers. Another good question is whether it will cost more than it saves the consumers.

Private consumer groups are doing remarkably well in striking terror into cheaters of the public, as are consumer agencies in some states. Neither are the existing federal regulatory agencies impotent. The Senate should, we think, turn this superagency idea aside. If that isn't possible, it must at the very least put some sensible limitations on the proposed agency, which cannot attempt to do everything for everybody without winding up in chaos.

Mr. RIBICOFF. Mr. President, I yield myself as much time as I may need.

Mr. President, today the Senate will soon vote for the fourth time on whether to end the debate on S. 707.

Since rule 22 was adopted in 1917, the Senate has only twice before held four cloture votes on a single proposal.

Four cloture votes were taken during the Senate's consideration of open housing legislation in 1968. The only other occasion, until today, when a fourth cloture vote was taken occurred during a 1971 effort to amend rule 22 itself.

This cloture vote today will also mark the seventh time in the last 2 years that the Senate has voted on whether to limit debate on a consumer protection bill. With the single exception of efforts to amend rule 22 itself, I do not believe that any other single issue has provoked as many total cloture votes over the years as this legislation.

It should be clear by now that this is a bill a majority of the public may much want to see enacted into law.

Well, over 100 national, State and local groups and organizations actively supported the bill. These groups range from such large organizations as the United Auto Workers and Common Cause, to such grass roots organizations as the Louisiana Consumers League, the Tennessee Consumer Association, and the Vermont Public Interest Research Group.

The National Association of Attorneys General and the U.S. Conference of Mayors support the bill. Since these people see everyday on a first hand basis the problems consumers encounter, their support is clear proof that consumers need help, and that it must come from strong action on the Federal level.

Numerous individual consumers have taken the time to write me in support of this legislation. These unsolicited letters all sound the same themes. They protest the skyrocketing prices of the basic essentials of life. They complain about shoddy goods and unfair business practices. They express the feeling that no one in the vast and remote Federal Government cares about their problems.

The public does not expect this bill to be a panacea for all their troubles, but the bill will at least mean that there will be someone in Washington with authority to speak up effectively for consumer interests.

It is said that this is an antibusiness bill, but yet many business groups favor this bill because they realize it is not antibusiness.

As debate on this bill has progressed, and the bill's true impact has been understood, a growing number of businesses have expressed their support. Just yesterday the names of some 30 businesses from all parts of the country appeared in a full-page ad in the Washington Post strongly supporting this bill.

I ask unanimous consent that a copy of this advertisement be inserted in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER (Mr. HASKELL). Without objection, it is so ordered. (See exhibit 1.)

Mr. RIBICOFF. The advertisement I have referred to included such companies as Connecticut General Life Insurance Co., the Dreyfus Corp., Kimberly Clark, Montgomery Ward, Motorola, Polaroid, and Zenith. The endorsement of such major corporations as these proves that the highly vocal business groups that have opposed this bill do not represent, by any means, the entire business community.

The Senate has had 4 years to consider and study the consumer protection bill. Over that length of time the sponsors of the legislation have agreed to modifications in approximately 16 major areas in the bill. Specific safeguards to protect the legitimate rights of businesses are included in some 10 different areas of the bill. The bill is very different, as a result, from the legislation first considered by the Senate in 1972.

The proposed Dole substitute deletes previous provisions providing for a consumer council, for agency intervention in State and local proceedings, for a grant program to the States, and for the use of subpenas in informal agency proceedings. It substantially cuts back on the agency's authority to participate in informal proceedings, and on its ability to publicize consumer complaints, to institute judicial review proceedings, and to obtain the records of other agencies. It provides new protections for small businesses and places the Administrator more directly under the control of the President.

Since the Senate has last voted on a cloture motion August 20, each Senator has had a full month to study the latest proposed changes contained in the amendment offered by the junior Senator from Kansas. Since S. 707 was first discussed on the floor of the Senate July 16, the Senate has had, in all, over 2 full months to become familiar with the exact terms of the bill. Very few bills have been on the floor of the Senate as long as this bill has been.

Clearly, the time for debate on S. 707 has long since come, and gone. It is now time for a simple up and down vote on the merits of the legislation.

Even after adoption of this cloture motion, the Senate will have up to another hundred hours of debate on the legislation. This will provide more than enough time to conclude debate on this measure, and any amendments that have been proposed to it.

The choice before the Senate today is a clear one. On the one hand, the Senate can permit a minority of the Senate to talk this bill to death. On the other hand it can decide that after all these years it is now time to let the will of the majority prevail.

I strongly urge adoption of the pending motion.

EXHIBIT 1

DEAR SENATOR: The consumer advocacy bill, S. 707, comes up for the fourth and final time on Thursday, Sept. 19. Sixty-four Senators have already voted to end the filibuster. Just three more votes are needed. We are depending on you. All 210 million of us.

THE AMERICAN CONSUMER.

IT IS ABOUT TIME WE GAVE THE CONSUMER A VOICE

The agency for Consumer Advocacy is a sensible step toward giving the consumer a voice in government policymaking.

S. 707 focuses in one small agency an ability to marshal the facts concerning the health, safety, and economic rights of consumers—and to present these facts on behalf of consumers.

It is not a regulatory agency. It will not harass. It will not stall government action. It will help restore balance in decision-making by considering impact on the consumer.

It is not anti-business. It is not anti-anybody. It is pro-consumer. Pro You and Me. The most unrepresented, unorganized constituency in today's society.

Regulatory proceedings are intricate and involved. Thousands of skilled professionals—lawyers, economists, scientists, and other technical experts—speak for the interests of business. And there are Departments of government charged by law to promote and advocate the interests of industry and commerce.

The consumer, if heard at all, is represented by a few outnumbered, underfinanced groups often donating time and services. It is time consumers had an advocate in government.

As one former FTC Commissioner testified before the U.S. House of Representatives, *the Commission always heard from business and its representatives, but seldom were the views of consumers presented.*

Our efforts to cope with the many complex technical issues which arise in today's marketplace, as well as our fight against inflation, require regular dialogue between business, government and consumers. Maybe if we had an orderly mechanism for listening to the consumer's point of view, we wouldn't be in quite the economic mess we are in today.

By voting to end the filibuster, Senators do more than show their willingness to give

consumers a fair shake in government decision-making. They also clear away the barriers to the kind of mutual trust that will benefit business and consumers alike.

End the filibuster.

Let a vote on the merits take place.

Let the dialogue begin.

(The National Consumers League, 1785 Massachusetts Ave., N.W., Washington, D.C.)

ESTHER PETERSON,
President.
ROBERT R. NATHAN,
Chairman of the Board.
ALICE SHABECOFF,
Executive Director.

As evidence that this consumer advocacy bill is not anti-business, look at the companies which have declared their support for it:

Alexander Hamilton Life Insurance Company of America, Farmington, Michigan; American Income Life Insurance Company, Waco, Texas; AMFAC, Inc., Honolulu, Hawaii; Amivest Corporation, New York, New York; Ar-Ex Products Company, Chicago, Illinois.

Bantam Books, New York, New York; Brands Mart, Long Island City, New York; Chief Auto Supply, Cerritos, California; Condamatic Co. Inc.: Dyna-Day Plastics, Inc., American Sound Corp., Warren, Michigan; Connecticut General Life Insurance Company, Hartford, Connecticut.

Consumers Cooperative of Berkeley, Inc., Berkeley, California; Consumers Cooperative Society, Palo Alto, California; Consumers United Insurance Co., Arlington, Virginia; Co-op Supermarkets, SCAN Co-op Contemporary Furniture, Silver Spring, Maryland.

Cummins Engine Co., Columbus, Indiana; The Dreyfus Corporation, New York, New York; Executive Life Insurance Co. of New York, New York, New York; Federation of Cooperatives, Inc., New York, New York; GRT Corporation, Sunnyvale, California.

Harper Systems, Little Rock, Arkansas; International Group Plans, Inc., Washington, D.C.; Kimberly-Clark Corporation, Neenah, Wisconsin; King Super Markets, Inc., Irvington, New Jersey; Maxell Corporation of America, Moonachie, New Jersey; Monogram Industries, Inc., Los Angeles, California.

Montgomery Ward, Chicago, Illinois; Motorola, Inc., Franklin Park, Illinois; Polaroid Corporation, Cambridge, Massachusetts; Stride Rite Shoes, Boston, Massachusetts; Zenith, Inc., Chicago, Illinois.

Mr. ALLEN. Mr. President, I yield myself such time as may be required. Since we are speaking of a so-called consumer bill, I might yield myself such time as I might consume.

Mr. President, first, I commend the distinguished senior Senator from Connecticut (Mr. RIBICOFF) for the truly fine job he has done through the years with respect to so-called consumer protection legislation. He has been chairman of the subcommittee of the Committee on Government Operations which has considered this measure. He has held many hearings on the subject and has been most courteous and most cooperative with those who entertain opposing views, and certainly he has been dedicated to the principle he supports. I commend him for his hard work, for his untiring efforts, and for his stand for the principle in which he believes.

Also, I commend the distinguished Senator from Illinois (Mr. PERCY), who has taken a major role in leadership with respect to this measure. They have done an outstanding job in pushing the bill to this point.

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

Mr. ALLEN. I yield.

Mr. RIBICOFF. Mr. President, I do appreciate the gracious remarks of my distinguished colleague.

The RECORD should be clear that although the Senator from Alabama and the chairman of the Government Operations Committee, the Senator from North Carolina, have been strongly opposed to this legislation, not once, either in subcommittee or in full committee, have they impeded the progress of the hearings, the markup of this bill, or the bringing of this bill to the floor of the Senate.

Of course, their opposition reflects the fact that their basic philosophy runs counter to the nature of this bill. But the RECORD should show very clearly that at no time in committee were these two Senators less than cooperative, despite their strong feeling about the bill.

Mr. ALLEN. I thank the distinguished Senator from Connecticut. I am hopeful that we will not have this measure to contend with after today, after the vote on the cloture motion, and then there will not be a piece of legislation that will hold us apart, I say to the distinguished Senator from Connecticut.

Mr. President, I was very interested and intrigued by the remarks of the distinguished Senator from Connecticut about the full-page ad that appeared in the newspaper by—I understand him to say—some 30 corporations, in support of consumer protection legislation.

I believe that the bill in the Senate, at least, has been changed to call this agency, which has not yet sprung into being, the Agency for Consumer Advocacy, inasmuch as by the terms of the bill this is not a regulatory agency that would be set up and would not, in the strict sense of the word, be a consumer protection agency, but merely an agency for consumer advocacy.

On one hand, we hear proponents of this legislation say that the big corporations, big business, are opposing this legislation, indicating that there is something sinister about the opposition of business to the legislation. Yet, when 30 major corporations in the country go to the expense of inserting in a newspaper a full-page ad advocating the legislation, that is very fine and very good and very altruistic, and there is nothing sinister about that. But let business oppose it, and there is something very sinister about that.

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

Mr. ALLEN. I yield.

Mr. TAFT. I was somewhat intrigued by the advertisement that appeared in the paper yesterday. I made inquiry as to what the cost of such a page might be, and it varies up and down with the conditions. It is approximately $2,000.

I share the feelings of the distinguished Senator from Alabama with regard to the question of business backing or not backing this bill. I am not concerned that business is or is not backing this bill. I am concerned with the public. Throughout the statements I have made with regard to the bill, I have been concerned with the public.

The very fact that apparently people are lining up on one side or the other in the business community as to this legislation does not impress me a bit. In fact, it worries me a good deal; because I think the question arises in one's mind as to whether or not the Agency for Consumer Advocacy may not be looked upon as a way in which the regular proceedings of the various regulatory agencies in the interest of the public might be interfered with. I have some misgivings as a result of seeing this type of support in the matter, one way or the other.

Mr. ALLEN. I thank the distinguished Senator from Ohio for his comments. I certainly agree with him on the comments he has made.

What we should be interested in is the public interest. That is one thing that has been forgotten in the thrust of the proposed legislation. The bill is supposed to support consumer interests, when there is no such thing as unanimity of consumer thought.

What we should be concerned with is the larger scope, the larger area, which, as the distinguished Senator from Ohio has said, is the general public interest.

I recall in the debate on the floor of the Senate—and I am sure the distinguished Senator from Ohio will recall—when we were seeking to knock out the exemption that big labor has under the bill, the labor management, the distinguished Senator from New York said:

> Big labor can take care of itself, and big business can take care of itself. Therefore, we do not need consumer advocacy input into this legislation.

He missed the entire thought that should be behind the bill: That the public interest is what is at stake and what needs to be fostered and protected, not the interests of big labor and not the interests of big business. So it seems to the Senator from Alabama that the question of whether business is for or against it is immaterial. It should be immaterial. What we should look for is the general public interest.

I have also been interested, in this debate—I speak of debate. I do not know that there has been a whole lot of debate on this bill; possibly 2 or 3 days. The opponents of the legislation have stood aside, have not insisted on carrying on the debate.

As a matter of fact, it has been almost exactly 1 month since a single word has been uttered on the floor with respect to this bill. There has been no logjam of legislation. There has been no holdup of any matter. The opponents of the bill could have insisted that the matter be reached.

We have certainly been reasonable in this regard. Whenever the leadership would say, "Let us lay this aside and take up something else," those of us who opposed the bill have certainly cooperated in every way. When they wanted to set the time for the cloture vote, it was first agreed that it would be on yesterday and then, I assume on account of the absen-

tees, and in an effort to present the strongest front, it was suggested that it be moved forward to today. That was agreed to.

We have given the proponents of the legislation every opportunity to control the time of the debate, the stopping of the debate, the taking up of any other legislation, and this has not hampered the orderly flow of legislation at all. So it is not an obstructionist effort in any manner or means.

It is the feeling that we should not set up a new agency, a new echelon of Federal bureaucracy, at a time when we need to be cutting back on escalating of Federal bureaucracy, at a time that we need to be cutting back on Federal expenditures, rather than creating a new agency, with the sky the limit in the future as to expenditures by this agency.

I recall a program—Senators are familiar with it—that started some 10 years ago, a social services program, where the Federal Government matched, on a 3-to-1 basis, funds put up by the States for social services programs.

Well, they got to the point, as time went on, where this program, which started out with a $40-million appropriation some 10 years ago, grew by leaps and bounds until it got to the point where their request some 2 years ago was for $4 billion.

One of the States of the Union had such a large social services program that the Federal Government was being called on to pay more into that program in that State than the State's entire budget for the year. Congress finally had to set a ceiling on the amount that would be appropriated under this program of $2.5 billion. That is quite a rise, from $40 million to $2.5 billion, in the course of 8 years.

We do not know what we are getting as far as the escalation of a program that we are called on to set up by this bill.

The statement has been made on the floor also that at the end of 3 years, this program is going to have to be renewed in order to stay in existence. I notice here an editorial in the New York Times setting forth that fallacy. The editorial is on the Senators' desks. It is dated August 19, 1974.

I do not know whether they have come out with a later bit of advice to the Senate or not. It says:

> Lest any fears of a burgeoning bureaucracy still linger—

And they certainly do, in the mind of the Senator from Alabama—

> The whole existence of the new agency would come up again for review in three years' time.

Well, let us analyze that a little bit. If there is anything in this bill that says that this agency will grind to a halt in 3 years' time and that affirmative action must be taken to continue it in existence, I challenge the proponents of this legislation to come up with that wording, where that is stated in the bill.

I see someone is searching for the paragraphs in the bill. I would certainly look with much more favor on the bill if there were such a provision. There is no such provision. This agency will have perpetual existence. It will have perpetual existence unless repealed by the Congress.

Failure to appropriate funds for it will not kill the agency. We are setting up an agency that has perpetual existence, that does not grind to a halt in 3 years, as the proponents of the bill have argued on the floor.

While I was at home during the recess, a cartoon appeared in the Birmingham News on this bill. It showed a great laboratory, and there was a figure on an operating table. It looked very much like the pictures in the motion picture of the Frankenstein monster.

There was another figure there, standing up, rubbing his hands in glee. That was depicted as being Mr. Ralph Nader.

Everywhere, bolts of lightning were jumping from one fixture in the laboratory to another, and the Frankenstein monster was labeled as the CPA bill. Dr. Frankenstein was there depicted as being Mr. Ralph Nader.

The thrust of it—and you recall that the Chinese proverb is that one picture equals a thousand words—has a certain truth, because we are creating a Frankenstein monster when we set up this Agency for Consumer Advocacy.

Mr. President, I am hopeful that the Senators will stand firm, those Senators who want the debate to continue. I hope they will stand firm. There has been an effort, I shall say a desperate effort, on the part of the proponents of this legislation to convince Senators—I notice the newspaper accounts refer to them as wavering Senators. I should hate to have that description applied to me, I shall say to the distinguished Senator from North Carolina. I should hate to be called a wavering Senator.

But the news media, practically all of which are for this legislation, call these Senators "wavering Senators."

I was interested also in the exceptions from coverage by this bill that are written into the bill.

I do not favor the bill. I do not believe it is necessary. I believe it would be bad for the country for it to be enacted. But I do say that if we are going to have it, let us put everyone in the same box. Let us not grant exceptions to people who can help get the bill passed, people who can work for the passage of the bill.

When they talk about a big lobbying effort on this bill, I certainly agree on that, but who has been carrying on the lobbying effort? It seems to me it is the proponents of the bill more than the opponents of the bill.

Mr. President, if this bill applied to everyone equally, I would feel a lot better about the passage of the bill. But it leaves out, for example, labor-management relations. The consumer advocate cannot interfere with or participate in labor-management relations or contract negotiations. He cannot do that. They say that does not have anything to do with consumers.

How naive can one be, to say that such relations have nothing to do with the consumer?

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

Mr. ALLEN. I am happy to yield to the distinguished Senator from North Carolina.

Mr. ERVIN. Is that not like saying the price of an article has nothing to do with the consumer?

Mr. ALLEN. In effect, it is.

Mr. ERVIN. Does the Senator from Alabama know of anything that has anything to do with the consumer interest, except the price of the article and the quality of the article?

Mr. ALLEN. And its availability.

Mr. ERVIN. I do not know what the reading of the Senator from Alabama has been, but the reading of the Senator from North Carolina as to the cost of producing goods and services is that at least 75 percent of the costs of goods and services consists of the cost of the labor which is necessary to produce them.

Mr. ALLEN. Yes; I believe that is a good estimate.

Mr. ERVIN. Is it not a snare and a delusion, to put it in its mildest form, to say that it is not in the interest of the consumer for the consumer advocate to have any power in matters that have anything to do with the fixing of contracts for the prices of labor?

Mr. ALLEN. I certainly agree with the Senator.

Mr. ERVIN. Does the Senator agree with the Senator from North Carolina that some of those who have been induced to join the proponents in this fight have exchanged their votes for some meaningless linguistic acrobatics?

Mr. ALLEN. Yes; I would say they are running that risk.

Mr. ERVIN. I do not know whether they ever had horsetrading in Alabama like they used to have in my county in North Carolina, which is Burke County. When court week came, they brought in all the swayback horses and worthless horses and traded them off to the beguiled. Does the Senator not believe there is a parallel between that and trying to gain support for this measure by exempting those who are in favor of the legislation?

Mr. ALLEN. Yes, I think there is quite a parallel there.

Mr. ERVIN. I thank the Senator.

Mr. ALLEN. Mr. President, one of the top labor leaders very wisely put the issue this way, or in substance this way. That if labor-management relations are included in the bill, labor would oppose it; if labor-management relations are excluded from the bill, labor would support it.

That shows that they did not want to offend the labor interests, who say very frankly, "We do not want the Federal Government to be poking its nose into our business."

I agree with them. I do not want the Federal Government to be poking its nose into their business, or poking its nose into any area of activity that is not absolutely necessary.

Mr. ERVIN. Mr. President, will the Senator yield for a question?

Mr. ALLEN. Yes.

Mr. ERVIN. Is not the action of a labor leader who says he will oppose the bill if labor is included and support it in

case labor is excluded analogous to the physician who will not take the medicine he prescribes for his own patients?

Mr. ALLEN. Yes, I think that is a very good analogy. So I endorse that view.

I think this is a very bad piece of legislation. They say:

We do not want it applying to us; if you apply it to the other fellow, we will join in.

I find no fault with that attitude. They are looking after their own interests. That is what they are in business to do, is look after their own interests, and I think they do a good job. Speaking of lobbying, there is quite a little bit of lobbying from that direction.

Another exclusion was the exclusion of the FCC in the area of granting licenses and renewing licenses. No less an authority than Mr. Ralph Nader is highly critical of that exemption. So why do they exempt them?

Why, on account of the restraints of the media in molding public opinion. If the media had been included, the radio and TV media, we would find them against the bill instead of for it.

So there are two areas where exemptions were given for the purposes of obtaining passage of this bill. It is as simple as that.

Mr. ERVIN. Will the Senator yield for a question on that point?

Mr. ALLEN. Yes, I am delighted to yield.

Mr. ERVIN. Is not one of the major elements in the cost of any article the cost of advertising that article on either TV or radio?

Mr. ALLEN. Yes; that is right.

Mr. ERVIN. And if the TV and radio are to stay in business, they have to pass the cost of that advertising on to the consumer when they sell their goods or their services, do they not?

Mr. ALLEN. That is correct, yes. And of course the public does have an interest. The consumer has an interest in who is going to be receiving a radio or TV license. And that has to do with this 3-year or 5-year fight on the length of licenses. When someone is not carrying out the obligations that are imposed on him when he gets a television or radio license, consumer groups or the public generally can come in and protest the renewal of that license.

What better area for a consumer advocate than in this area where the public, where the consuming public, is very much involved? But are the sponsors of this legislation worried about that element of the public? I suppose people who listen to radio and TV programs must constitute over 100 million people, but they are not given any protection at all under this bill, this great Consumer Protection Agency. Do they turn their back on that portion of the consuming public? They are given no consumer protection at all.

Well, why? Well, they just handed out the exemptions for aid in the passage of the bill. It is just as simple as that.

Mr. President, S. 707, perhaps more than any proposal to come recently before this Chamber, illustrates the value of full and frank debate.

Swaddled as it is in myth, complexity, and good intentions, S. 707 is not what it seems, is not what is intended, and certainly is not what is needed.

S. 707 IS NOT WHAT IT SEEMS

Let me begin at the beginning.

S. 707 would create another independent Federal agency which is to be called a Consumer Protection Agency—or Agency for Consumer Advocacy if the Senate amendment survives the conference. It will come out Consumer Protection Agency.

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

Mr. ALLEN. Yes.

Mr. RIBICOFF. I have accepted the amendment to change the name to "Agency for Consumer Advocacy."

Mr. ALLEN. Yes, sir.

Mr. RIBICOFF. I happen to think it is a very descriptive term. If we get cloture, and the bill passes and goes to conference, I will assure the Senator from Alabama that I will try to save the name "Agency for Consumer Advocacy."

Mr. ALLEN. I thank the distinguished Senator from Connecticut for this expression. I did not doubt that in the slightest that the distinguished Senator, who agreed to the amendment—it was not forced upon him, he agreed to the amendment—because in his judgment it better described the functioning of the agency. But it occurred to the Senator from Alabama that when the conferees get together and the House insists on its language that in order to get a bill the Senator from Connecticut would not hold out for this name, and understandably so.

Another thing, Mr. President, as to these wavering Senators, as they are called in the media, if they would vote for cloture in order to get some innocuous amendment with their name on it adopted, I say again that this business of saying, "I will accept the amendment and take it to conference," that a whole lot takes place after that, and such amendments do not have a great deal of chance of surviving a conference. So I am hopeful that the waivering Senators will not waiver too much in hopes of getting an amendment with their names attached that has any chance of surviving a conference.

Mr. ERVIN. Mr. President, will the Senator yield for a question?

Mr. ALLEN. Yes.

Mr. ERVIN. Does the Senator not recall an Aesop's Fable about the lion who invited another animal to come into his den and pay him a visit? The other animal refused to go, saying, "I notice all the tracks leading into your den and none coming out." [Laughter.]

Mr. ALLEN. Yes, sir.

Mr. ERVIN. Does the Senator not think that any Senator who may be—to use the media term—waivering in the hope and expectation that he will get an amendment which is not consistent with the overall tyrannical objectives of the bill, will have reason to meditate on Aesop's Fable, that his amendment might go in but it will never come out of conference? The tracks will only lead one way.

Does not the Senator from Alabama think that is a very apt illustration of the situation in which the Senators find themselves?

Mr. ALLEN. I guess that is a very fine analogy. I think some of these amendments will go into the bill, but they will not come out of the conference, if past experience is a proper guide.

If we were in the business of selling legislation to the general public, rather than forcing them to take what we divine, I wonder whether the term Consumer Protection Agency could be considered as deceptive packaging.

What does such a term conjure up in the minds of reasonable consumers? First, they would probably think that this was to be a regulatory agency, because its name is of the type which would only be granted to a regulatory agency.

But, no. The sponsors of S. 707 consistently deny that this new unit is to be a regulatory agency, and admit that the CPA or ACA would, indeed, have no power to protect consumers in the marketplace.

Second, reasonable consumers would probably think that the Consumer Protection Agency or Agency in Consumer Advocacy was designed to pursue shady operators, to capture fly-by-night salesmen, to seize products harmful to consumers either physically or economically and to solve other, typical consumer problems at the local level.

But, no, again. The CPA or ACA will have no authority to do any of these things and will not operate on the levels at which most consumers are having problems they associate with a need for a consumer protection agency.

That is what the public thinks of as a consumer protection agency, somebody who is going to make his garage fix his car because of a shoddy repair job; that somebody is going to make somebody give him a new TV set when his TV set breaks down after 2 weeks from the date of purchase. It is somebody who solves his problem with the man who puts a defective roof on his house or puts some defective siding on his house or possibly sells him some lightning rods that are supposed to have great effect in warding off lightning.

Any shoddy job of that sort, the average person feels a consumer protection agency would solve his problems; the sale of an encyclopedia that they think they are getting for little or nothing, and their bill is a couple of hundred of dollars for it.

These local matters are not within the purview of the CPA. They would be forwarded back to the local consumer affairs agency of the State. Now, these agencies are consumer protection agencies because they go into the matter of protecting the consumer in these consumer products.

The CPA or the ACA will have no authority to do any of these things, and will not operate at the levels on which most consumers are having problems which they associate with the need for a consumer protection agency.

In point of fact, this so-called CPA has no authority to protect anyone but itself. You know, the only agency of Gov-

ernment where the consumer would have no standing, where all decisions are made for him by the administrator, who would be a law unto himself, the only agency of Government that would not afford any consumer input would be the CPA, incredible as that sounds. He would be out solving everybody else's problems for him, intervening here and there, appealing final orders, requiring answers to interrogatories, creating more redtape, more paperwork, more working for the Government without compensation; he would be intervening in other governmental agencies and other levels of Government, but the consumer would not have any standing at all in the CPA.

Mr. TAFT. Will the Senator yield?

Mr. ALLEN. Yes, I am glad to yield to the Senator.

Mr. TAFT. I think the Senator makes a very excellent point regarding that, but I would like to go on and point out that it is not only the consumer who would have no relief against the advocate, it is the public and the people generally who would have no standing insofar as making any approach to the consumer advocate.

That is the very reason and the very logic which led the Senator from Ohio to introduce an amendment, which is still pending, which in effect sets up a supposed consumer watchdog.

It seems to me that should be vital if the consumer advocate is going to come into these various proceedings affecting the public generally. There should be somebody designated there to represent the public because the assumption is that the agency itself is being intervened in, but the Consumer Advocacy Agency is somehow not charged with watching the public. But if they are not, somebody ought to be. That is why I advocated that we have an approach to this, a man representing the public generally, the right to intervene in any proceeding in which the Consumer Agency Advocate comes in and represents the consuming party of the public.

The PRESIDING OFFICER. All time of the Senator from Alabama has expired. The Senator from Connecticut has 50 minutes.

Mr. ALLEN. Mr. President, how can that be? I yielded myself such time as I might require, has the whole time been used?

Mr. RIBICOFF. Mr. President, I will be pleased to yield part of my time.

Mr. ALLEN. I have more time.

Mr. RIBICOFF. I will be pleased to yield part of my time to the distinguished Senator from Alabama. I have one request for about 15 minutes of time from the distinguished Senator from Wisconsin, but I am more than pleased to yield a portion of my time to the Senator from Alabama.

Mr. ALLEN. I appreciate that, but we have an hour, has the whole hour been consumed?

The PRESIDING OFFICER. Yes, the Chair is informed that 33 minutes were consumed by the Senator from Ohio and 27 by the Senator from Alabama.

Mr. RIBICOFF. I will be pleased to yield 10 minutes of my time.

Mr. ALLEN. Just 2 minutes.

Mr. RIBICOFF. Two minutes.

Mr. ALLEN. To comment on the suggestion of the distinguished Senator from Ohio.

I appreciate the suggestion of the Senator from Ohio, and I am glad to see him pounding in this point that the bill overlooks the public interest. It seeks to advocate the interest of only a section of the public; namely, the consumers, leaving the overall basic public interest to fend for itself.

Certainly, that is the case. But even narrowing it down to the consumer interest alone, the consumer has no way to make input officially through the CPA because the Administrator of CPA alone decides what is best for the consumer, even though they might have any number of separate interests, and I will point that out at a later time during our discussion before the vote.

If all the time of the Senator from Alabama has expired and all the time allotted to him by the distinguished Senator from Connecticut has expired, I yield the floor.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that Paul Leventhal, of the staff of the Committee on Government Operations, be allowed the privilege of the floor during the debate and vote on the consumer protection bill, S. 707.

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

Mr. RIBICOFF. Mr. President, I know the Senator would like to speak, and I will be pleased to yield some of my time, if the Senator from New York, or the Senator from Alabama, would like time.

The only request I would make is that the Senator from Wisconsin, who is on his way to the Chamber, have 15 minutes. I yield, subject to the Senator from Wisconsin having 15 minutes when he arrives.

Mr. BUCKLEY. I am pleased, Mr. President, to proceed on that basis.

Mr. RIBICOFF. Subject to that basis, would the Senator like 15 minutes?

Mr. BUCKLEY. That will be fine.

Mr. RIBICOFF. I yield 15 minutes to the distinguished Senator from New York.

Mr. BUCKLEY. I thank the Senator.

The PRESIDING OFFICER. The Senator may proceed.

Mr. BUCKLEY. Mr. President, as we approach the vote on the question of closing debate on S. 707, it is imperative that the facts and issues be clarified so that the Members and the public understand what is happening. As far as I know the opposition to this proposal bases its case on questions which are fundamental in nature. The bill is being opposed because the idea of an Agency for Consumer Advocacy is not a sound idea. Tinkering or technical changes have not and probably cannot make the proposal acceptable.

Any claims, and there have been some, that amendment No. 1817 could meet the objections of the bill's opponents must be looked at soberly. Nothing in the amendment would change or even touch upon the fundamental concerns of the opponents. There is still no definition of the concept of "interests of consumers." The amended jurisdictional language provided in section 15(11) in no way speaks to the definitional problem as to what is the best interests of consumers.

Interestingly, the longer the Senate debate goes on and the more questions asked, the harder it has become for the sponsors to cope with the failure to provide a substantive definition of "interests of consumers." They are not to be blamed for that failing because there is no way to define it. The inherent contradictions which exist within a whole Nation make a single definition impossible. It is only through the complex operations of the economy that sufficient reconciliation of interests, basically through the exercise by consumers of differentiation of value placed on goods and services, are we able to have a total definition and understanding of the varieties of consumer interests. No administrator is able to perform such a function.

Unfortunately, the questions raised some weeks ago by the Senator from Kansas (Mr. DOLE) concerning the impact of the bill on agriculture, remain unanswered. They are unanswered, no doubt, because they are unanswerable. To be sure some cosmetic changes were agreed to by the bill's sponsors. But as I understand it the questions asked involved a determination whether high and increasing levels of agricultural exports are in the "interests of consumers." The answer came in the form of a denunciation of the Soviet wheat deal, which is not exactly responsive, but, perhaps, indicative.

Again, the reason the sponsors were not responsive is that consumers of agricultural products are always interested in securing those products at the lowest possible price. Farmers, who are also consumers, desire just the opposite. The free market is the mediator, and the only mediator that can be fair to all concerned.

Farmers want low-cost credit and relatively inexpensive machinery; the savings account holders want high yields from their accounts and union members working in farm machinery manufacture wish rapid sales at prices sufficiently high to provide future production, and, at the same time they want credit terms that will encourage the manufacture of more machinery. How is it possible that an administrator can take such a complex economic interrelationship and come out with a declaration of what constitutes the true "consumer interests?" Is it served by a limitation of agriculutral exports? Perhaps some city dwellers might think so. Or by guaranteed low cost credit?

However, consumers with savings accounts are seeking more attractive rates. The manufacturer and union member producing farm machinery want a highly profitable agricultural economy or else fewer machines will find a market. The best a Government administrator could do would be to do an injustice to all consumers with whom he did not side.

Herein lies the reasons for the increasing difficulty for the sponsors to explain away the obvious problems. It is easy for Ralph Nader to make a decision; it is for any person individually. Mr. Nader has his own hierarchy of desires and wants; we all do. But for the U.S. Government to presume that it can fairly represent the diverse interests of consumers is both simplistic and dangerous.

I would now like to proceed to an analysis of S. 707 and the substitute language that was offered by way of compromise which strongly suggests the conclusion that the substitute before us is for all practical purposes a bill so similar in effect to S. 707 that a contention of compromise and change is unwarranted.

Mr. President, as my colleagues recall, in an effort to attract additional supporters to the cause of S. 707 the bill's sponsors joined a few weeks ago to announce a major "compromise." The so-called agreement was proclaimed in floor speeches and newspaper headlines. The objections raised by the bill's opponents, we were told, have been met. There is less here than meets the eye.

Previously I took note of the fact that most of the objections raised over this bill were in the nature of fundamental criticisms. Technical changes and some minor tinkering simply do not reach the heart of the problem. Today I would like to address myself to a portion of the "compromise," specifically section 17(b), which reads:

> Nothing in the Act shall be construed and no authority in the Act shall authorize the Administrator to intervene in any United States Department of Agriculture proceeding without considering the consumers' interest in an adequate food supply, and without considering the interests of farmers in maintaining an adequate level of income and production.

This language which conditions the activity of the ACA Administrator should be analyzed from the proposition that it is effective language which will serve to protect agricultural interests from the Agency. In addition, the section should be looked at from the point of view that it does no such thing.

If we assume the language is effective, then we are confronted with the problem of consistency. If it is effective and good, then why not extend the condition to every other possible economic category? If agriculture is to be helped by the insertion of this condition then why not do so for plumbers, bakers, engineers, and maybe even taxpayers, for they are consuming more government than any other item within their budget. That would be a nice touch, I believe, to require government to assess just how much and what kind of government the consumers of government are getting for their money.

The likelihood of each of these groups of consumers being recognized separately is small, unless, of course, this bill is laid aside for now and all time to come. But let us assume for a moment that the bill passes with this condition and the other two sections which provide for special treatment.

Mr. President, does anyone actually think that we do the cause of good government any good by so blatantly exempting three special interest groups. It is very understandable why labor organizations, radio and television licensees, and agricultural interests want a special status: they know the operation of this agency is going to frustrate their ability to operate and to do the job they have to do. That, in our society, Mr. President, is to meet the needs of the consumers as determined in the marketplace where there is freedom of choice.

However, it should not be assumed that the language of section 17(b) does anything for anyone. A close reading of the language of the section clearly shows that it is a condition without teeth. There is literally nothing prohibited in the section which would not have been otherwise authorized under the original committee language. The directive to the ACA Administrator requires him to consider adequate food supply levels, farmers' income and production. I suppose the suppressed premise of 17(b) is that without the language the Administrator would have his decisions without reference to those items.

It is important that we understand that whatever the Administrator would have been allowed to do and say under S. 707, he will continue to be allowed to do under the substitute. We cannot, therefore, contend that the additional section will serve anyone's interest, special or otherwise. The Administrator, and the Administrator alone, shall determine what is in the best interests of consumers. After such a determination, which is unreviewable, the Agency may move into action to establish in law and Government policy the interest the ACA determines will magnify the "consumer interest."

In addition, by invoking the word of art, "proceeding" in the section, the language specifically exempts the vast bulk of the Department of Agriculture's activity. Proceedings, as used here and under section 15(15), do not cover the informal activities of agencies and departments. The condition is limited to participation in rulemaking, adjudication, and licensing. Therefore, if the condition extended any substantive protection to agrciulture—and I have concluded that the contrary is so—then employment of the word "proceedings" so vastly limits the protection that persons interested in exempting agriculture from this bill should be seeking substantially firmer language which covers all Government functions relating to agriculture.

In addition a great deal has been made of the restrictions on the ACA's power to compel responses interrogatories. In my opinion it would be more accurate to conclude that the process has been made more complex, rather than more restricted.

What is required in the substitute amendment's section 10, "Information Gathering," is that the Agency for Consumer Advocacy obtained the information it desires indirectly through the offices of the "host agency," that is, the agency of Government whose jurisdiction is primarily involved. The assumption which justifies the procedure is somewhat vague. Granted that the power would be restricted if the "host agency" were given special authority over the use of the authority. This it does not have. The host agency must comply with the ACA request unless the head of the "host agency" finds that the information sought does not substantially affect the health or safety of the consumer, is not relevant to the purposes for which the information is sought, or would be unnecessarily burdensome to the company or companies involved. In any case the ACA may appeal any determination on any of the three foregoing grounds. As a practical matter it would seem highly unlikely the host agency would invite a suit over any interagency determination.

Whatever may be the advantages or disadvantages of the required procedures, it does not seem entirely accurate to conclude that the power has been severely restricted. It does not warrant the contention of meaningful compromise.

The arguments against S. 707 remain essentially the same. The substitute in no major way alters that fact. Of course, it is hard for practicing politicians to vote against any bill where the enabling clause recites that its purpose is to protect consumers. The headlines compound the problem because they speak in the same simplified language of the enabling clause. But the Senate has an obligation to go beyond the titles and headlines. If the Senate does so, I am confident that all Americans will be, as they should be exempted from this bill.

Mr. President, I would like to close by referring to the most devastating analysis of the so-called Dole Compromise that I have yet seen. It shows in devastating detail that it fails to deal with a single substantive objection to S. 707. It is, in short, an exercise in cosmetics, and nothing more.

Mr. President. I ask unanimous consent to have printed in the RECORD the document to which I have referred.

There being no objection, the document was order to be printed in the RECORD, as follows:

PROPOSED "COMPROMISE" AMENDMENT TO S. 707, AS SUBMITTED AND DISCUSSED, AUGUST 17, 1974

CONCLUSION

This proposed amendment is no compromise. It is a collage of the worst provisions of S. 707, the bill currently under consideration in the Senate, and H.R. 13163, the bill which passed the House of Representatives in April of this year.

All—yes, all—of the major objections raised to S. 707 on the Senate floor and in the Minority Views are applicable to this "compromise."

The new proposal remains philosophically unsupportable and pragmatically unworkable.

This bill demonstrates the need for continued debate—the proponents obviously still do not understand the issues, and this new language must be thoroughly considered.

A. Theory still unrealistic

All of the general objections raised in the Minority Views relating to S. 707 are applicable to this bill, including the fact

that this proposal still rests on the unsupportable contention that Federal agencies are not working as intended by Congress, therefore the solution is to create another Federal agency.

B. Major specific problem areas in "compromise"

1. Total Independence

(a) The bill still would limit the President's removal power over the single ACA Administrator to the grounds reserved for the muti-member regulatory agencies, Sec. 3(a), p. 3.

(b) The bill still fails to contain what the sponsors of the bill during the past Congress called the "most important safeguard": A 3-man commission structure to avoid autocracy.

(c) The bill still allows the ACA administrator to define what is best for consumers for the purposes of advocacy and prohibits anyone from challenging that initial determination. Sec. 6(a) and (c), pp. 8–11; Sec. 22(b), pp. 31–32.

(d) The bill still defines "consumers" as everyone and "interest of consumers" as anything. Sec. 15(7) and (11), pp. 25–26.

2. Advocacy Powers Still Excessive

The bill still grants to the ACA the strongest advocacy powers available to regulatory agencies, without the responsibilities that go along with these powers; it still adds to these the strongest rights of private citizens available to no governmental unit, and it still further provides the ACA with rights enjoyed by no governmental unit or private citizen:

(a) The bill still provides the sweeping power to intrude disruptively into any informal, nonstructured activity of a Federal agency, such as trade negotiations between Secretary of State Henry Kissinger and representatives of other agencies. Sec. 6(a)(2), pp. 9–10.

(b) The bill still provides that federal agencies, such as the State Department, must give the ACA full notice of proposed actions (such as fall-back negotiating positions) prior to ACA intrusion. Sec. 13(b), p. 24.

(c) The bill still requires a Federal decisionmaker to give the proposals of the ACA "full consideration" before taking action, thus delaying informal activities such as trade negotiations which move from stage to stage quickly. Sec. 6(a)(2), pp. 9–10.

(d) The bill still contains the language interpreted in the Majority Report on S. 707 as requiring a forum agency to give the ACA equal opportunity to present its views as is afforded to any other party, including ministers of state negotiating with Secretary Kissinger. Sec. 6(a) (2), pp. 9–10.

(e) The bill still would allow the ACA to become a dual prosecutor in agency adjudications of violations of law. Sec. 6(a)1, p. 9.

(f) The bill still would grant the ACA unprecedented automatic standing to seek judicial review, with its own lawyers, of any act or failure to act of any other Federal agency. Sec. 6(c), pp. 10–11.

3. Inquisition Powers Remain

(a) The bill still empowers the ACA to test and rate consumer products and services, based upon its own subjective criteria, even though it was agreed during the prior Congresses that the ACA would, itself, conduct no such tests. Sec. 5(a) (2) and (5), pp. 7–8; Sec. 8(a), pp. 14–15; Sec. 9, p. 16.

(b) The bill still contains an improper interrogatory function for the ACA, although it adopts a modified version of the House provisions under which the ACA would force other agencies to issue interrogatories. Sec. 10(a), pp. 16–18.

This provision is far stronger than the version in the House-passed bill because it would allow for unprecedented use of the Federal Trade Commission as a general receptable for ACA interrogatory requests—if no other agency has subject matter jurisdiction, the bill provides that the FTC will be considered as having it. This would greatly expand FTC's authority into areas never intended by Congress (e.g., food and drug), and could result in an imbalance in FTC's priorities.

Another improvident feature of this modified provision is that the ACA is given a choice when it comes to enforcing these interrogatories against a person who fails to comply. If the issuing agency does not wish to enforce, the ACA can be substituted for the issuing agency in court under this provision. Or, under the judicial review provisions of the bill, of course, the ACA has power to take the issuing agency to court to force it to enforce the information requests.

(c) The bill still makes the existing Federal agencies a sieve for confidential information, including trade secrets, in their hands by requiring them to turn it over to the ACA. Sec. 10(b), pp. 18–21.

(d) The bill still provides that information cannot be given in confidence to a Federal agency with assurance that it will not be turned over to the ACA, if that Federal agency could have gotten the information through mandatory process—thus, this provision will result in nobody volunteering information to the Federal Government. Sec. 10(b)(7)(B), p. 20.

(e) The bill still provides the ACA with unprecedented power to release to the public trade secrets and other confidential information which even regulatory agencies cannot so release. Sec. 11(a)(1), p. 21.

(f) The bill still would transfer the Consumer Product Information Coordinating Center to the ACA, thus ensuring that all of the vast stores of consumer product information in this agency could be accessible and published by the ACA without any safeguard to the contrary. Sec. 23, p. 33.

4. Unconscionable Exemptions

The bill still contains unconscionable exemptions—it takes the House bill's exemption provision, *deletes* the exemptions for national security and intelligence functions of the State Department (thus showing the intent of Senate sponsors to have the ACA deeply involved in foreign policy), and *adds* the current exemptions for Big Labor and TV broadcasters that appear in S. 707. Sec. 17, p. 28.

C. Need for more debate

The fact that this is no "compromise" indicates that the proponents of this new substitute have failed to grasp the real issues; thus debate must be continued on this proposal or it should be withdrawn from the floor for Committee reconsideration.

Further indication of need for more extended debate or thorough reconsideration is found in some new concepts introduced in this bill.

1. New, Unwise Court Determinations

If the ACA seeks to gain judicial review of an action arising out of a proceeding or activity in which the ACA did not appear, the court must determine whether such a suit "would frustrate the interests of justice." Sec. 6(c), p. 10.

This is a totally new, untried and unwise imposition on the courts, without any Congressional guidelines proposed to help them. Moreover, it controverts directly the American Bar Association position on CPA/ACA legislation which opposes such mandatory findings of the courts. This subjection should be discussed at length.

2. Inconsistent Provisions on State Advocacy

Subsections (g) and (h) of section 6 on page 12 provide that the ACA "is not authorized to intervene" in state and local court and agency proceedings, but that the ACA may "communicate" with these units in any manner consistent with law or agency rules.

These provisions should be discussed in detail to ascertain intent, then to amend the bill so as to provide for what is intended. Significant questions arise:

(a) Do they mean that ACA may participate in rulemaking and ratemaking at the state and local levels, because one does not "intervene" in these, but merely "communicates" through participation?

(b) Do they mean that the ACA may seek judicial review of state and local actions, because, technically, it would not be intervening?

(c) Do they mean that it is intended for the ACA to become involved in the informal "activities" of state and local units, as opposed to their "proceedings"?

D. Failure to meet administration objections

The proposed "compromise" contains what then Minority Leader, now President, Gerald R. Ford termed on behalf of the Administration the "extreme in consumer protection" when he objected to certain proposals in the 92d Congress. These "extremes," first proposed in the so-called "Nader-Rosenthal-Moorhead" amendment to the 1971 House CPA bill, have been incorporated into the House-passed bill of this year, as well as this "compromise."

More importantly, only one of the many changes requested by the Administration to S. 707 has been put into this bill. Under the May 15 letter by OMB Director Roy L. Ash to Chairman Sam Ervin, the Administration set forth certain necessary changes that would have to be made to S. 707 in order for it to be consistent with the President's program. These are discussed below—

1. Interrogatories

The Administration submitted a proposed interrogatory provision which is considerably more restrictive than that proposed in this "compromise."

It is highly unlikely that the Administration could support the concept of using the FTC as an ACA wastebasket for interrogatory issuance, as proposed in this "compromise." It is also unlikely that the Administration would support the idea of the ACA being able to support enforcement actions, with its own lawyers, under the interrogatory powers of other agencies.

2. Term and Removal of the ACA Administrator

The Administration opposed granting the ACA Administrator a fixed term and insulating him from removal except for cause. This was totally ignored in the "compromise." See Sec. 3(a), pp. 2–3.

3. Simultaneous OMB-Congress Recommendations

The provision in S. 707 requiring simultaneous submissions of the ACA budget to Congress and the OMB has been deleted. This is the only Administration recommendation accepted.

4. Judicial Review

The Administration's requests in this area were also totally ignored.

The Administration requested that the ACA be placed under an affirmative duty to show that permitting it to seek judicial review of actions arising out of agency process in which it did not participate would further the interests of justice. The "compromise" puts a negative duty on the courts, instead.

Secondly, the Administration requested the mandatory rehearing process prior to such judicial review take place within a "reasonable time," rather than within the 60 days required under S. 707 and the "compromise."

5. Information Availability and Disclosure

The Administration objected to the provision in S. 707 under which existing Federal agencies could not prevent AGA access to confidential information volunteered to them. This objection was ignored.

6. Representation in Judicial Proceedings

The Administration requested that the Justice Department be allowed to determine whether the ACA should use its own lawyers or be represented by the Justice Department in litigation. This request was ignored.

7. Participation in Structured Proceedings

The Administration objected to a provision in S. 707 under which the ACA could participate or intervene as of right as a full party or participant in any hearings conducted merely by "regulation or practice" (e.g., internal budget hearings). This objection was ignored and the provision remains in the "compromise." See Sec. 6(a)(1), p. 9.

8. Specific Appropriations Authorizations

Finally, the Administration also objected to providing for specific authorizations for the ACA. This, too, was totally ignored. See Sec. 20, p. 30.

Mr. RIBICOFF. Mr. President, I am waiting for the Senator from Wisconsin to arrive. If my friend from Alabama would like more time, I will yield to him at this point, subject to his yielding the floor when the Senator from Wisconsin arrives. I would be more than pleased to yield time to the Senator from Alabama or the Senator from North Carolina.

Mr. ALLEN. I thank the distinguished Senator.

We have used all the time allotted to us, plus the time given to us by the distinguished Senator from Connecticut. I believe we will use only the time later allotted to us on this subject.

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

The PRESIDING OFFICER (Mr. INOUYE). Without objection, it is so ordered.

Mr. RIBICOFF. Mr. President, subject to the Senator from Wisconsin coming to the Chamber, I yield such time as the distinguished Senator from Alabama desires.

Mr. ALLEN. I thank the distinguished Senator from Connecticut. Inasmuch as we have used all the time allotted to us at this time, though we will have two other times to speak, I do appreciate the Senator yielding time at this time. When the Senator from Wisconsin arrives, I will yield the floor to him.

Mr. President, I see on the desk of the Senator an editorial from the Washington Post and the New York Times urging cutting off discussion on this bill and urging passage of the bill.

Of course, an editorial is only the opinion of either the editorial writer or the editorial board, by and large, I assume. Since they have someone designated as editorial page editor, I assume that it is pretty well the expression of one person.

Some of the recommendations made by these two newspapers do not cause me to place a great deal of confidence in these expressions from the Washington Post and the New York Times with respect to this bill. I have two columns here, and there is one from Mr. Hempstone, also, that I do not have at this time. But I have two columns, both by Mr. James J. Kilpatrick, in which he denounces this bill in no uncertain terms. He wrote one column one day.

I ask unanimous consent that these columns be inserted in the RECORD. The first one is entitled: "In Name of Consumerism: A Monstrously Bad Bill." That is the description of S. 707 by James J. Kilpatrick, nationally syndicated columnist, whose views I respect greatly more than I do the editorial page writer for the Washington Post or the New York Times.

He wrote one day on the bill. He was so outraged by it that he came back a few days later and wrote another column with respect to the bill. This one is entitled "Producing a Commissar." That was his analysis of the bill.

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

[From the Washington Star-News]

IN NAME OF CONSUMERISM: A MONSTROUSLY BAD BILL

(By James J. Kilpatrick)

WASHINGTON.—The Senate continues debate this week on a measure that merits a splendid superlative title. It is the Worst Bill of the 93rd Congress.

Admittedly, that takes in a considerable sweep; but the bill to create a Consumer Protection Agency is not merely a bad bill. It is a monstrously bad bill. In the holy name of consumerism, one of the more fashionable religions of the day, the Congress is about to create a bureaucratic nightmare.

The sponsors and defenders of this bill make it sound so simple. Out of whole cloth they have fashioned a speechless dummy named "the consumer." This poor creature, it is said, has no one to defend his interests. Business and industry have highly paid lobbyists whose insidious talent is to manipulate the agencies set up for their own regulation. The consumer, by contrast, is an abandoned babe in a forest of wolves. The bill would create a new agency with authority to fight back on his behalf.

The theory rests on a false premise, that there is such a thing as "the consumer." Under the definition contained in Section 4 of this bill, every human being who uses or purchases any goods or services whatever is a consumer. But unless one assumes that all human beings have identical personal and economic interests, it is plain that no advocate possibly could serve all consumers alike.

Let us examine the best interests of this hypothetical "consumer" in such areas as milk, lumber, textile products. Presumably, consumers have an interest in cheap milk; but the human beings in the dairy industry, who also are consumers, have an interest in higher milk prices. People who build houses want cheap lumber; people who produce lumber find that idea unappealing. The country is flooded with textiles imported inexpensively from the Far East, and doubtless this suits some consumers very well; but the consumer who works in a North Carolina mill has a different view.

The bill is a fraud. It defines the "interest of consumers" partly in terms of their "economic concern," which is to say, in terms of the price the consumer pays for goods and services. In the determination of such prices, no factor of cost is more important than the cost of labor. Yet labor is exempted from this bill.

The bill is administratively impossible. Under this measure, the new agency would have an administrator. He would be responsible to no one. He could intervene in any governmental proceeding (except as to labor) throughout the realm of federal authority. His determination of the "interest of consumers" would be virtually unreviewable. He could be removed by a president only at the risk of another Saturday night massacre.

Under this legislation, the new agency would have some $20,000,000 to spend on advocacy. It is a small sum, perhaps, in a $300,000,000,000 budget, but it is a large sum indeed in terms of lawyers, lobbying and litigation. Far from putting the "consumer" on an equal platform with business spokesmen, the authorized sum would make the administrator King of the Lobbyists, the fattest cat in town.

Our present system of consumer protection may not be perfect, but such old-line agencies as the courts, the Food and Drug Administration and the Federal Trade Commission do a reasonable job, and such new agencies as the Consumer Products Safety Commission are coming on strong. A case for further bureaucracy cannot be made.

PRODUCING A COMMISSAR

(By James J. Kilpatrick)

Just as we were interrupted last weekend, we were talking about the bill to create a Consumer Protection Agency. It is an extraordinary bill—a profoundly un-American bill—and it merits your careful thought.

One version of this bill, H.R. 13163, passed the House in April. A Senate version, S. 707, is now pending in the upper chamber. If the Senate succumbs to the virus of galloping consumerism, eventually the two bills will be reconciled, and with President Ford's approval, we will wake up some morning to find we have voted ourselves a wet blanket.

Perhaps Ford will not approve. His conservative instincts run deeper than those of his predecessor. As he reminded us a few days ago, he takes office beholden to no man—not even to Ralph Nader. And who's afraid of Virginia Knauer? Let us hope this well-intentioned but fundamentally bad bill never becomes a public law.

In describing this bill as "un-American," I have this in mind: One of the first principles of the American way of life is that ours is not a monolithic society. Ours is a free society, composed of men and women with different interests and different values. The idea of state-decreed uniformity is alien to us.

Another cherished American principle is the principle of political accountability. Over the years we have created an intricate system of checks and balances, of reviews and controls, of restraints upon power. Working in tandem, the public sector and the private sector have operated in an effective state of tension. The system may not be perfect, but it has given America a reasonably free and reasonably prosperous economy.

Now comes this bill to create a Consumer Protection Agency. The agency would be headed by an administrator whose first duty is to define the "consumer interest." A few days ago, before the interruption, I was saying that no such singular consumer interest can possibly be defined. The longer one reflects upon this duty, the more impossible the task becomes.

What is the consumer interest in automobiles? The administrator would have power to intervene in every proceeding of the Department of Transportation having to do with automobile safety and design. The Administrator would be expected to intervene in every environmental proceeding having to do with air pollution.

Is it in the consumer interest to require that new automobiles come equipped with air bags, hydraulic bumpers, and catalytic emission controls? Perhaps it is. But these devices may add as much as $400 to the cost of a car. Is it in the consumer interest to have inexpensive cars? Perhaps it is. But these two opposing interests cannot possibly be reconciled.

A hundred such examples could be offered.

It is anticipated that the administrator would define a consumer interest as to the packaging of goods. But what is the consumer's interest? Does the consumer want packages that are secure, very secure, or practically impenetrable? Does he want his pound of bacon sealed once or sealed twice? The difference inevitably must be reflected in the price of the product.

The Federal Register bulges with regulations affecting everything from peanut butter to cherry pies. How can one administrator prescribe a universal taste?

In every other agency of the federal government, the decrees of a commissioner or secretary or department head are reviewable. The checks and balances of due process of law operate to provide restraints against an abuse of power. Congress provides some oversight. An overweaning official can be fired.

But as this bill is now set up, the administrator of the Consumer Protection Agency would have a virtually unreviewable power to do as he pleases, and it would be almost impossible to dismiss him.

In a different society, under a different concept of state supremacy, we would call such an officer a commissar. What in the world do we want with a commissar here?

Mr. ALLEN. I read from one of his columns. This is the second of two articles:

Just as we were interrupted last weekend, we were talking about the bill to create a Consumer Protection Agency. It is an extraordinary bill. . . .

I think we would all agree on that, pro and con, as to the issue.

It is an extraordinary bill.

We might differ on this next expression:

. . . a profoundly un-American bill—and it merits your careful thought.

One version of this bill, H.R. 13163, passed the House in April. A Senate version, S. 707, is now pending in the upper chamber. If the Senate succumbs to the virus of galloping consumerism, eventually the two bills will be reconciled, and with President Ford's approval, we will wake up some morning to find we have voted ourselves a wet blanket.

In describing this bill as "un-American," I have this in mind: One of the first principles of the American way of life is that ours is not a monolithic society. Ours is a free society, composed of men and women with different interests and different values. The idea of state-decreed uniformity is alien to us.

Reading, then, from the first column by Mr. Kilpatrick—this is some time ago. It is not in the last few weeks:

WASHINGTON.—The Senate continues debate this week on a measure that merits a splendid superlative title. It is the Worst Bill of the 93rd Congress.

See how Mr. Kilpatrick describes the bill.

"It is the worst bill of the 93d Congress." That covers a lot of ground. While I always like to agree, whenever possible, with Mr. Kilpatrick, I might be able to come up with one or two or three bills that I feel are worse than S. 707—

Admittedly, that takes in a considerable sweep; but the bill to create a Consumer Protection Agency is not merely a bad bill. It is a monstrously bad bill. In the holy name of consumerism, one of the more fashionable religions of the day, the Congress is about to create a bureaucratic nightmare.

The sponsors and defenders of this bill make it sound so simple. Out of the whole cloth they have fashioned a speechless dummy named "the consumer." The poor creature, it is said, has no one to defend his interests. Business and industry have highly paid lobbyists whose insidious talent is to manipulate the agencies set up for their own regulation. The consumer, by contrast, is an abandoned babe in a forest of wolves. The bill would create a new agency with authority to fight back on his behalf.

The theory rests on a false premise, that there is such a thing as "the consumer." Under the definition contained in Section 4 of this bill, every human being who uses or purchases any goods or services whatever is a consumer. But unless one assumes that all human beings have identical personal and economic interests, it is plain that no advocate possibly could serve all consumers alike.

Let us examine the best interests of this hypothetical "consumer" in such areas as milk, lumber, textile products. Presumably, consumers have an interest in cheap milk; but the human beings in the dairy industry, who also are consumers, have an interest in higher milk prices. People who build houses want cheap lumber; people who produce lumber find that idea unappealing. The country is flooded with textiles imported inexpensively from the Far East, and doubtless this suits some consumers very well; but the consumer who works in a North Carolina mill has a different view.

I might say that the consumer who works in an Alabama mill has a different view, also—

The bill is a fraud. It defines the "interest of consumers" partly in terms of their "economic concern," which is to say, in terms of the price the consumer pays for goods and services. In the determination of such prices, no factor of cost is more important than the cost of labor. Yet labor is exempted from this bill.

The bill is administratively impossible. Under this measure, the new agency would have an administrator. He would be responsible to no one. He could intervene in any governmental proceeding (except as to labor) throughout the realm of federal authority.

That is a pretty frightening thought right there: He would be responsible to no one.

I might say he overlooked, except as to FCC in granting licenses for radio or TV stations, or in renewals of such licenses. They cannot include the media because, as I stated earlier, they had to exempt the media to get media support.

They had to exempt labor to get labor support—

His determination of the "interest of consumers" would be virtually unreviewable. He could be removed by a president only at the risk of another Saturday night massacre.

Under this legislation, the new agency would have some $20,000,000 to spend on advocacy.

I might say I notice the distinguished Senator from Massachusetts, (Mr. KENNEDY) offered an amendment and was on the point of calling it up at one time, which would double the initial cost, the initial authorization for this Agency in the area of grants to local bodies and public interest groups. So even before the bill passes the Senate, talking about the small cost of the thing, they are already doubling the cost; more than doubling it, as a matter of fact. From the figures I have seen, it is safe to say the amendment more than doubles the cost of the Agency before it is even enacted into law in the first instance.

Under this legislation—

Says Mr. Kilpatrick—

the new agency would have some $20,000,000 to spend on advocacy. It is a small sum, perhaps, in a $300,000,000,000 budget, but it is a large sum indeed in terms of lawyers, lobbying and litigation.

At a time when we want to get action by the Federal Government, at a time when we want to close out matters pending before an agency to have a final decision, this agency can go in and needlessly prolong the time required for a decision—

Far from putting the "consumer" on an equal platform with business spokesmen, the authorized sum would make the administrator King of the Lobbyists, the fattest cat in town.

Our present system of consumer protection may not be perfect, but such old-line agencies as the courts, the Food and Drug Administration and the Federal Trade Commission do a reasonable job, and such new agencies as the Consumer Products Safety Commission are coming on strong. A case for further bureaucracy cannot be made.

That is the end of the quotation from Mr. Kilpatrick's article.

That is another deficiency in the legislation, in the opinion of the Senator from Alabama, in that we have governmental agencies, governmental bureaus, and various governmental offices set up by law to take action in these areas. Apparently the argument is made that those people are falling down on their jobs, so we have got to set up another agency to see that the first group does its job.

How long is it going to take the proponents of this legislation to become as dissatisfied with the new agency, and say, "Well, they are falling down on their job; let us set still another agency to make this agency make this other agency do its job?"

There is just no end to it. If the existing agencies are not doing their job, why not discharge the appointees, reform the law under which they operate, and require that they perform their duties, and not set up another echelon of bureaucracy to stand behind these various agencies and see that they do the jobs for which they were created?

This article by Mr. Kilpatrick, talking about the monolithic form of government that this new agency would seem to presuppose and the monolithic form that the consumer is supposed to take, so that there is no doubt about what a consumer interest is, certainly is very interesting, because here on this floor the distinguished Senator from Illinois (Mr. PERCY) has stated that he views this as an example of an area of activity that this agency would engage in. It was rather shocking to me, because he said that this Administrator who decides what is best for consumers would go before the Federal Tariff Commission advocating—he used the example of shoes—lower tariffs on shoes, so that shoes could come into this country with a lower tariff on them, and a consequent lower selling price to the public.

That is fine for that segment of the public. We would all, I assume, like to buy a good product at a low price.

What about the workers in shoe factories? They are consumers, too. But the consumer administrator has already de-

cided that we are going to try to get these shoes in at the lowest possible price, and let the workers look after themselves. During one of these hearings that we had on the bill, I asked one of the witnesses in favor of the bill, "What would be the consumer interest in an area of this sort, where the lowering of the tariff might result in the closing of shoe factories throughout the country?" Many in New England, I might say. "What would be the consumer interest here? Would the consumer advocate be in favor of lowering tariffs and getting cheap products into this country, as against the loss of thousands of American jobs?"

The answer was, "We would go for the cheap product."

That is the consumer interest, to get the cheap product. Do not worry about the people over here losing their jobs.

Mr. President, that is the reason why we cannot have a single consumer interest. The consumer is not a monolithic body of people. We have as many different economic interests as we have people; so we cannot say that this is good for all consumers.

Also, as the distinguished Senator from Ohio (Mr. Taft) has pointed out time and time again, what is the public interest? Who is looking after the public? Someone is looking after the consumers; someone is looking after business. I almost said someone is looking after labor, but labor-management relations are exempt. Who is looking after the general public interest? That should be paramount, and not the interest of some nameless, faceless, supposedly monolithic consumer.

If the truth be known, the central theory behind the CPA is to attack the very Government of which the CPA is to be a part. Unfortunately, the consumer will not be protected from the CPA, yet the vested interests of big labor are to be.

Third, during our markup session of this bill in the Government Operations Committee, as the printed transcript clearly shows, primary sponsors of this bill were in general agreement that the name of the agency should be changed—but only on the floor during debate; after this compelling appellation has done its job in securing the support of the unsuspecting.

In any case, if this is to be an expediting unit, so be it. I have filed an amendment to change the name of the Agency to the Federal Expediting Agency to reflect what the bill is intended to do.

S. 707 IS NOT WHAT WAS INTENDED

Speaking of intent, a remarkable document appeared in the RECORD of June 27, a document authored by the distinguished senior Senator from the State of Connecticut, the primary sponsor of this bill, its floor manager and leading proponent.

This document, spread upon nine pages of the RECORD, was an attempt to find errors in the minority views issued by Senators ERVIN, BROCK, NUNN, and myself which accompany S. 707 as reported by the Government Operations Committee.

The remarkable aspect of the document was that it found no errors in the minority views, yet it clearly demonstrated that S. 707 did not accomplish what its sponsors intended. Hence, S. 707 is in need of major amendment if it is to accomplish what was intended.

That is, this June 27 document purported to show errors in the minority views by citing safeguard provisions which have yet to be put into S. 707, and which were never put into previous versions of the bill.

For example, according to the sponsor's June 27 insertion in the RECORD, the sponsors intended to make the CPA's intervention or participation into another agency's proceedings or activities subject to immediate challenge by the forum agency holding the proceeding or activity.

S. 707, particularly subsections 7 (a) and (b) and 14(e), provides just the opposite—no one may challenge the CPA's decision to intrude into another agency's decisionmaking process; not that other agency, not someone who might be adversely affected. No one. The CPA must be allowed in, for better or worse.

For another example, in the information powers area of the bill this time, the primary sponsor cited to subsection 12(b) as the "extreme" safeguard in the bill, saying that existing Federal agencies may prevent the CPA from publicly disclosing information which they would not have released under the Freedom of Information Act, yet which they are forced to give to the CPA under this bill.

Unfortunately, the existing Federal agency with the major duty of collecting consumer product information from other agencies—the GSA's Consumer Product Information Coordinating Center—will not be subject to that "extreme" safeguard.

Under section 15 of this bill, the CPICC becomes an integral part of the CPA. Thus, the safeguard will operate to allow the CPA to decide what CPICC information the CPA should release, and the CPICC will continue to glean information from other agencies, but as a working division of the CPA.

There are nine pages of RECORD material constituting similar proof of self-deception.

This is such a critically important document that I introduced into the July 17 RECORD, at the opening of the debate, a chart comparing the sponsors' views, the minority views, and the actual provisions of the bill and majority report.

This was a long comparison, yet I would strongly urge that it be read by anyone who believes in consumer protection, particularly the sponsors of S. 707. The bill achieves the opposite of what you intend, and this chart proves it merely by citing the full provisions of the bill.

S. 707 IS NOT WHAT IS NEEDED

While we are on the subject of needed amendments to conform the bill to its stated intent, let us also look at S. 707 from the perspective of a respected consumer advocate.

1. AN ADVOCATE'S VIEW

Yes, it has taken a while, but we finally have a candid appraisal of some of the major weaknesses in S. 707 from a consumer activist who will support S. 707 if amended in major and "necessary" part.

We are indebted to the distinguished senior Senator from Minnesota for bringing these views to light.

I wish to comment upon these views, because they burst the key bubbles of myth which have been launched during our consideration of S. 707 on the floor.

The views are those of John F. Banzhaf, professor of law and legal activism at the George Washington University National Law Center and a noted and effective consumer activist himself.

They are found in the June 24 RECORD at page 20738 in a letter to Senator MONDALE, and they concern an amendment to S. 707 which was introduced by the distinguished Senator that day. The amendment would provide Federal assistance, via the CPA, to consumer organizations who wish to intervene or participate in Federal agency and court proceedings.

Professor Banzhaf says that Senator MONDALE's proposal is a "necessary addition to the bill, and goes a long way toward remedying what many have suggested are weaknesses in the bill." I repeat, a "necessary" addition is needed.

While the amendment of the senior Senator from Minnesota may go a long way in making this bill workable—in the opinion of some—it alone would not, in my opinion, go far enough to make the bill acceptable to many others. I shall indicate why a little later in my remarks.

However, this amendment, and Professor Banzhaf's comments, do show us that there are other alternatives to a CPA in protecting consumers—alternatives which should be considered before we take the traditional approach of throwing another Federal agency at one of our problems.

Had we had Professor Banzhaf's views before support for this bill became entrenched, the entire thrust of this legislation might have been changed. I wonder if at this point, however, there are many people with open minds on this subject.

Professor Banzhaf makes four points of the current bill's weaknesses, and offers to back them up with "concrete examples." It is refreshing to find someone talking about this bill from the point of view of actual knowledge and experience.

In speaking of the CPA, Professor Banzhaf asks:

> What guarantee is there that such an agency will be different from all others and will continue to effectively represent this point of view as the years go by? Indeed, is it not possible that 10 years from now Congress will be asked to set up still another agency to represent the consumer or public interest point of view before the Consumer Protection Agency, to insure that it, in turn, represents this viewpoint before federal regulatory agencies?"

This highlights the central fallacy of S. 707. As the minority views on this bill point out:

> The genesis of this CPA bill is dissatisfaction over Federal agencies which have not done as their supporters thought they would. And, if the potential supporters of the CPA

accept this theory ... then we must assume that the CPA will not act as they think it will.

In short, this bill is a monument to our being unable to learn from experience.

But, proponents will say, this CPA is to be different, it will not have any direct regulatory power, only regulatory power by proxy—the power to get other agencies to use their regulatory power. Therefore, they assume, the CPA will be insulated from outside pressure.

Professor Banzhaf confronts that argument directly—and I quote:

With all due respect, I think that argument is erroneous. To whatever extent the Consumer Protection Agency is effective in influencing proceedings at other agencies related to strong vested interest, these interests will, in turn, seek to neutralize the effectiveness of the Consumer Protection Agency, presumably by using the same techniques which have proven so effective at other government agencies.

From a business representative's viewpoint, what could possibly be the difference between a Federal Trade Commission which directly regulates his company in the name of consumers and a CPA which regulates his company through the FTC in the name of consumers? They will both be staffed by fallible human beings.

Professor Banzhaf, as do many, apparently equates the public interest with the interest of consumers, and he points out:

The extreme difficulty, even impossibility, of determining what "the Public Interest" is in any given situation.

With respect to the CPA specifically, the consumer activist points out that:

No matter how the proposed Consumer Protection Agency would determine which positions it wishes to espouse, these positions may not accurately or completely reflect the consumer interest it seeks to protect. No one entity, whether private or governmental, can always be sure that the view it is advocating on behalf of consumers is the most appropriate one.

As the minority views on S. 707 ask:

What is the consumer interest in an automobile? Cost, safety, availability, power, appearance, fuel consumption, speed, impact on the environment, size, comfort? In point of fact, it is all of these. . . . To advocate for safety (for example, mandatory seat belts) can mean to advocate against cost and convenience, two other valid consumer interests.

Similarly, Professor Banzhaf points out:

It is very difficult for an individual attorney or organization to forcefully advocate two or more different approaches to the same problem. Thus, it is more likely to choose one which it believes to be the most appropriate and to advocate that to the exclusion of all others.

Finally, Professor Banzhaf points out why the CPA could not possibly do what its proponents wish it to do:

Consumers have a very wide spectrum of interests, many falling in areas of great legal and technical complexity. Were the Consumer Protection Agency forced to develop sufficient expertise in each of these many areas so as to present and espouse the consumer interest, it would do so only with an inordinant expenditure of time and resources. Moreover, as the individual responsible for a given area—e.g., food product labeling—educated himself on these issues, it is not unreasonable to suppose that he would leave the agency, creating a lack of continuity and the need to re-educate a new staff member. To put the same thought in different words, it is impossible for an agency the size of the Consumer Protection Agency to develop a continuing expertise in the many areas of direct interest and impact on consumers.

Mr. President, just let me now address two of the reasons why I feel that Senator MONDALE's amendment, itself, would not accomplish what is intended.

I shall treat these very briefly because they are discussed more fully in the minority views on this bill—which are entirely consistent with Professor Banzhaf's concerns, and which I urge all my colleagues to read in conjunction with Professor Banzhaf's comments.

First, Senator MONDALE's amendment would not grant private consumer activists the extraordinary and unprecedented advocacy powers to be granted to the CPA. Therefore, the CPA will clearly be more powerful than the private activists who are intended to provide a productive counterbalance. In fact, the CPA could intimidate these groups with its vast powers and fund dispensing activities.

Second, under S. 707, it is to be the CPA, itself, which determines by law what is "the interest of consumers" in any particular proceeding—and this determination is not to be reviewable in court or elsewhere by anyone, including a private consumer advocate with a different viewpoint.

2. AN INFLATIONARY APPROACH

Rather than adding to the billowing bureaucracy in the good name of consumers, we could do considerably more good by cutting back.

But no, we are expected to solve the problems created by Federal agencies with the creation of yet another agency, an agency with an enormous proposed budget for the purposes to which it is to be put.

This CPA is to be the largest, most powerful, most highly financed public interest law firm yet conceived. Let us look at some fiscal facts in relation to this agency.

First of all, section 20 of S. 707 authorizes a total of $60 million for the CPA's first 3 years of existence, and the estimated costs which are required by the Legislative Reorganization Act of 1970 to be stated in the report echo these figures at page 45 of the majority report.

That same estimate of costs requirements applies to the House of Representatives as well, of course. If we look into that body's report on the bill which they sent to us—a bill with virtually no differences from S. 707 as far as financial needs of the CPA—if we look into the House report on H.R. 13163, at page 20, you will find an estimated cost of $20 million for the agency's first 3 years of operation.

That is, the Government Operations Committee of the Senate thinks the CPA will need $60 million and the Government Operations Committee of the House thinks the CPA will need $20 million for 3 years of operations.

If two expert bodies of Congress can have almost a 67 percent difference of opinion on the needs of the CPA, imagine the percentage of error that the CPA will have in determining the needs of the consumer about whom far less is known.

The point is, neither body can explain these figures. Just as with many of the provisions of the respective bills, and the determination of the interests of consumers, this represents sheer guesswork and arbitrary decisionmaking.

Since we are considering S. 707, let us return to its $60 million authorization for 3 years, and consider this in relation to its advocacy powers.

Proponents of this bill will say that $60 million is a "paltry" sum. It may be paltry compared to some of the overly fat existing Federal agencies which have been granted substantive programs. But it is a huge sum for a public interest law firm and an immense sum compared to the money which will be available to advocates of differing viewpoints in the Federal forums in which the CPA will use most of this money.

And this is not to mention two significant facts pertaining to the inflationistic tendency of this bill: First, the CPA is to draw upon, free or at cost, the limited resources of existing agencies to make sure it wins its point; and second, the major activities of the CPA will drive up the operating costs of existing agencies and businesses—and you know who eventually pays these costs.

The advocacy functions of the CPA are its prime purpose in life, as the proponents have made clear, not to mention the findings in the bill, itself. The proponents also make clear that it is intended that the CPA concentrate its resources on relatively few proceedings and activities of other Federal agencies, because that is all it will have time for in the huge multiringed Federal forums of action.

A very conservative estimate of the amount of CPA resources which are intended to be devoted to its advocacy function, I would say then, is 75 percent per year. Taking the figure of $60 million for its first 3 years of operation, this would mean that we could, very conservatively, expect at least $45 million spent on or in support of consumer advocacy by the CPA in these 3 years alone, not to mention all of the free services it will have other Federal agencies perform for it. And not to mention the cost it would impose on others.

Concentrating such resources into the expected relatively few proceedings, and using the extraordinary powers granted to it, will, indeed, make the CPA a super advocate.

What is continually forgotten by adherents to the parity myth is that the CPA's business will be such litigation with the Government, and that the business firm's role is to attempt to avoid such litigation. There will be no private party who will be able to match the resources or the powers that the CPA could put into any one proceeding.

Another commonsense element never mentioned by those who propound this

parity myth is that you cannot equate all business advocacy and treat it as an entity worthy of matching Federal consumer funds. The same companies do not exercise advocacy powers in relation to the same Federal programs.

A car manufacturer will care little what the Federal Food and Drug Administration proposes as a proper percentage of peanuts in peanut butter.

In addition, there is most often no unified business front on any given Federal proposal—a reading of any rulemaking file will show that businessmen are advocating against businessmen most of the time, each attempting to protect as best he can his own legitimate interests. And, none of these has millions of dollars to spend annually for this purpose.

One of the very few situations where you will find unity of diversified, legitimate businesses is in relation to this bill—with minor exceptions, they oppose it.

Finally, completely overlooked in this parity myth is the fact that many businesses simply cannot afford adequate counsel and advocacy themselves—small, medium and even large companies often cannot keep up with the layers upon layers of bureaucracy propounding regulations and adjudicating issues. It also would seem obvious and fair to say that, in terms of numbers, small businessmen are the targets of more Federal actions than are large businessmen.

Now, I warn you that proponents of this bill are fond of comparing the CPA to the Commerce Department when it suits their purposes. And when it comes to the 60 million dollars we are expected to hand this agency for its first 3 years, this is no exception.

Most often cited is the budget for the entire Department of Commerce with its armies of employees and its thousands of substantive programs.

I submit that if the proponents cannot see the difference between the Commerce Department and the CPA, Congress is, indeed, in bad shape. There simply is no comparison, other than, perhaps the cost of a torpedo compared to the value of a freighter it is intended to sink.

The Commerce Department—or any other agency, for that matter—does not have the advocacy powers or mission that the CPA is to have. In fact, the more money you add to the CPA's advocacy arsenal the more likely that the Commerce Department's appropriations will have to be increased. This is so because the Commerce Department is to be a target of the CPA and, of course, will have to defend itself and expand its proceedings to accommodate the CPA and its extraordinary powers.

There is no doubt that a CPA will cause more regulation to be imposed by the Federal Government on our citizens—that is at the heart of its purpose. What disturbs me is that we constantly forget who, ultimately, pays the costs of such regulation, much of which is overregulation.

3. THE PARITY VIEW

Speaking of additional Federal activity which will be instigated by the CPA, I ask you to consider this dilemma.

If we were to enact this bill to give super rights to Federal agents of the special interests of consumers, how could we logically say no to a similar request for an Environmental Advocacy Agency, or a Labor Protection Agency, or a Small Business Protection Agency, or a Taxpayer Protection Agency, or a host of other agencies to represent special interests that are at least equal to those of the consumer?

Scenting possible enactment of this legislation, at least one consumer group is already laying plans for the next advocacy agency. The May issue of Nutrition Action, a publication of the Center for Science in the Public Interest, urged in an editorial that a Nutrition Advocacy Agency be created to take informal and legal action to encourage Federal agencies to shape policies with up-to-date concepts in preventive medicine.

Where will it stop, logically? Perhaps only when the entire Government is reformed, as urged I believe by Senator RIBICOFF in his June 27 statement. But if we are going to reform the Government, let us at least admit that this is our intent, and let us take the proper steps to do it openly, not by guerrilla warfare.

UNEXPLAINABLE CHANGES

Let me now turn to some of the extraordinary changes in S. 707 as compared to some of its predecessors for this misnamed Consumer Protection Agency.

1. THE MISSING LINK

First, let us discover for you what can be called "the Missing Link" of this legislation. It is symbolic of the entire bill.

As you can see from your copies of S. 707, the first 50 pages are struck through and omitted. This is the bill as originally introduced. The remaining portion, pages 51 through 90, constitute S. 707 as reported by the Government Operations Committee.

If you will turn to page 2, you will see the original proposed statement of congressional findings in support of this bill, which, of course, has been revised.

Now look on line 22 of this page 2, and you will see that Congress was supposed to find that the CPA would represent consumers in a manner consistent with—and I quote—"efficient, fair" government, as well as effective and responsive government.

Now turn to the present findings on page 51 of S. 707, line 15. The findings of efficiency and fairness in government have been exercised from this provision.

Why? The answer is obvious. A vote for this bill is a vote against efficiency and fairness in government—it is patently obvious that it would be neither efficient nor fair to allow anyone to enter the regulatory process with the unprecedented powers proposed for the CPA, an agency which will answer to no one.

2. THE MISSING COMMISSION

Second, let us not forget the missing commission.

As Chairman ERVIN pointed out, the CPA bill reported during the last Congress contained an amendment by the distinguished senior Senator from Arkansas which would have spread the risk of autocracy by subjecting the CPA to administration by a three-man commission.

All of the sponsors praised this amendment as the major safeguard in the bill. Only Ralph Nader opposed it. It is now gone.

When we attempted to reinsert it in the full committee markup session, we were told that the committee decided to follow the recommendations of President Nixon's Advisory Council on Executive Organization. This is the so-called Ash Council—which took a negative view toward the use of multimember commissions in some, but not all, regulatory areas.

Such rationalization is truly amazing in light of two facts: First, this report was available and known to the proponents of this bill at the time they thought Senator MCCLELLAN's commission amendment was the most important safeguard in the bill; and second, even more astounding is the fact that the Ash Council report specifically recommended against the establishment of any CPA whatsoever, urging instead that the powers proposed for the CPA be granted to the Federal Trade Commission—page 93, Report on Selected Independent Regulatory Agencies, "Ash".

3. THE NEW EXEMPTION

Hidden away in the recesses of the functions section of this bill, at page 59, is an exemption for the interests of organized labor.

The controversy over whether the Government Operations Committee exemption or the Commerce Committee exemption for organized labor, which we have already experienced, is nothing but a controversy over whether the labor interests shall dictate to us if all or most of the proceedings affecting them and consumers shall be spared from CPA attack.

I do not blame organized labor for wishing to get out from under this bill. I suppose big business would actively and enthusiastically support this bill if all of its interests were similarly exempted.

Proponents of these exemptions will first tell you that the reason for this exemption is that the interests of business and labor are well represented in labor dispute proceedings.

When you remind them that we are supposed to be talking about the interests of consumers, they will say that the AFL-CIO states that the interests of consumers are not affected by labor disputes.

Federal activities to foreshorten shipping strikes—which would be exempted by either committee version—would surely affect consumers just as much as trade negotiations and antitrust proceedings, two favorite CPA targets cited by proponents.

Why, in a recent 18-month period, such strikes cut off shipping between the west coast and Hawaii for a total of 6 months—1 day out of 3. This cut off the necessities of life for many.

Who is kidding whom? Many, if not most, strikes are aimed at coercing consumers into pressuring business management to raise salaries. On page 22 of the July 16 New York Times, for exam-

ple, there is a story concerning a union which—and I quote—"voted today to 'shut down the state of Ohio' " in an attempt to gain a 40 cents an hour wage raise for State workers.

Conversely, we have seen boycotts used continuously in an effort to implement consumer power. Indeed, Miss Betty Furness testified at our hearings on S. 707 as to the effectiveness of the recent beef boycotts.

In fact, it is expected that the CPA would also encourage consumers to boycott companies and products.

While acting as consumer adviser to President Lyndon Johnson, Mrs. Esther Peterson did just that. We could have a new form of regulation by federally encouraged boycott.

EXTRAORDINARY POWERS OF THE CPA

Finally, let me briefly touch upon some of the extraordinary powers S. 707 proposes to grant to this new Consumer Protection Agency.

I shall be brief because these have been explained in great detail in the minority views, in Chairman ERVIN's extremely instructive and characteristically brillant opening statement and in my remarks and analysis in the July 17 RECORD.

I wish merely to supplement these statements with some observations.

1. MAKING THE COURTS AN ADMINISTRATIVE BATTLEGROUND

In a bill riddled with controversial provisions, the right of a CPA to challenge the regulatory agencies in court is perhaps the most controversial. It is clear now, why the sponsors decided against calling this bill "efficient." What greater inefficiency is imaginable than ordaining that this new agency use the Federal courts as the battleground for administrative civil war.

Under this bill, the CPA having applied its expertise to decide what single interest is best for all consumers, is empowered by a grant of legislative standing, to challenge the final decisions of the regulatory agencies which are supposed to be the Government experts in their fields. And, the CPA can mount this challenge whether or not it presented its views in the agency proceeding or activity which led to the decision. Of course, the bill requires that if the CPA did not appear, and where authorized, it must first petition the agency to reopen its proceeding or activity—presumably holding in abeyance the decision already reached while it considers the petition, before instituting a judicial review proceeding. The bill provides that a court may dismiss the CPA's petition for review, only where the CPA sat on its administrative rights, and did not appear in the agency proceeding, and only where such review would "adversely affect the interests of justice."

Now, that is a test the CPA can never fail. The CPA can be prevented from initiating court review of an action in which it did not participate only where the review would adversely affect the interests of justice. No court can restrain this legislatively ordained expert with legislatively granted standing, under that flimsy standard. And, frail as that safeguard is, it does not apply to CPA intervention in cases initiated by anyone else or court cases initiated by the CPA when it appeared in the agency proceeding below.

When you combine the definition of "interest of consumers," the unchallengeable CPA determination of what agency action substantially affects those interests, and the standard that section 8 of this bill establishes of actions "reviewable under law," the end result is that the CPA has an unrestricted right to sue for judicial review of any agency action if anyone, anywhere, anyhow, under any circumstances, could have sued.

That is the most far-reaching right to judicial review ever conceived, and, if enacted, will strip the courts of any shred of discretion to control their calendars.

2. THE CPA AS A TRADE NEGOTIATOR

Another of the unprecedented grants of unprecedented power in S. 707 is the extent to which the CPA can insinuate itself into the operation of other agencies. As Senator RIBICOFF has acknowledged, the CPA will participate in the negotiations of the State Department with foreign governments. Indeed, he states that the recent Middle East negotiations "perfectly illustrates" the need for CPA participation in trade matters, such as oil imports, which affect both national security and substantial consumer interests.

Thus, as the minority views point out, whenever Dr. Kissinger negotiates with the Arab representatives of the Organization of Petroleum Exporting Countries (OPEC), he would have to notify the CPA and give the CPA views full consideration at each step of the negotiations. Dr. Kissinger is a man of many talents who was able to achieve an agreement between the Arabs and the Israelis, but I am not confident he could achieve an agreement between the Arabs and the CPA. It is just incredible that the sponsors of S. 707 think that trade negotiations could be carried out in such circumstances. Either the CPA would have to travel along with the Secretary, or he would have to carry out "commuter diplomacy" between the Arab nations and the CPA headquarters in Washington.

The further grant of uncontrolled discretion of the CPA to determine when substantial interests of consumers may be involved would allow unlimited CPA intrusion into delicate foreign policy negotiations. For example, Dr. Kissinger may think he is negotiating peace in the Middle East, but to the CPA he is negotiating oil.

3. THE CPA AS A SECOND PROSECUTOR

The proponents of the CPA have cited, perhaps more than any other agency activity, the proceedings of the Federal Trade Commission to determine whether a deceptive act or practice has been committed in violation of the FTC Act. This is an area that requires special expertise. For this reason, and because of the efficiency of handling such matters administratively, the Congress has delegated quasi-judicial powers to the FTC to adjudicate this type of violation.

By the grant of unchallengeable right contained in section 7, the CPA can intervene as a party in these FTC adjudications. While these proceedings are referred to as adjudications, they are, in effect, trials.

The agency preserves the due process rights of the accused party, by conducting a trial on the merits, with a record of the proceedings. The FTC staff prosecutes the charge. Competitors of the accused respondent have no right to appear as full parties. Neither do the consumers of his products or services. There are witnesses, cross-examination, the subpena power of the agency is available for use by both the agency staff and the accused.

The Commission decision is made on the basis of the evidence contained in the record.

The FTC has never allowed consumerists the right to intervene in these proceedings as full parties. In a letter dated July 26, 1972, the then FTC Chairman, stated that the Commission was "reluctant to support his—the CPA's—active intervention in the Commission's adjudicative proceedings."

The Commission has consistently refused to all consumerists the right to intervene as full parties in adjudications. Now, it is proposed that the CPA be granted that right, with no discretion left to the Commission. Let us briefly consider what will happen when the CPA does intervene.

First, while the CPA would have authority to intervene on either side, it is unrealistic to suppose that he would do so other than to oppose the accused businessman. Thus, when the CPA intervenes in an agency adjudication, it will do so as a second prosecutor. Note that the first prosecutor, the Complaint Counsel of the FTC, has no choice but to accept the "help" offered by the CPA. This is an offer he cannot refuse.

To the extent that the CPA follows the line of prosecution taken by the FTC counsel there is useless, delaying, and expensive duplication; to the extent that the CPA prosecution diverges from the FTC prosecution, we have the situation where the accused businessman is subject to dual, and conflicting, prosecutions.

When there are two prosecutors, representing different interests, competing in the prosecution of a single accused, there are some very serious due process questions raised. That, I think, is obvious to everyone. They will not disappear. And, saying they are not there will not make them disappear.

More than any other provision in this invidious bill, the proposal to outfit a dual prosecutor explains why the words "fair" and "efficient" were stricken from the findings in S. 707. I have been speaking to those matters in this bill that I oppose. However, lest I be viewed as too negative, I do want to commend the sponsors for striking the words "fair" and "efficient." They obviously recognize that this pernicious bill is anything but fair and efficient and that it would be improper to allege otherwise.

4. BIG BROTHER 10 YEARS EARLY

While the three foregoing unprecedented powers are certainly enough to raise the hackles of any American citizen who still believes that the function of our Federal Government should be to serve us rather than rule us, perhaps the most sinister sections of S. 707 remain to be discussed. These sections deal with information gathering and disclosure by the CPA. I say these provisions

are sinister not only because of the intrinsic dangers which they pose to our free enterprise system, but also because the proponents of the bill have sought—through the use of convoluted, complicated, and even downright misleading language—to make the extraordinary powers which the CPA is given in these areas look like Pablum.

If there ever were a legislative wolf in sheep's clothing, this is it. The minority views were entirely correct when they said that, under S. 707, the CPA would have the most far-reaching information gathering powers of any existing Federal agency, bar none. This power, when coupled with the expansive authority the CPA is given to disseminate what it has gathered, clearly makes the S. 707 CPA a threat to our cherished constitutional right to privacy.

For the purpose of clarity, however, I will separately discuss the proposed CPA powers to gather and the powers to disseminate information.

5. THE GREAT INFORMATION GRAB

As the bill is presently drafted, the CPA Administrator is authorized to utilize at his discretion court enforceable interrogatories whenever he feels they are necessary to "protect the health or safety of consumers or to discover consumer fraud or other unconscionable conduct detrimental to the interests of consumers."

Now the sponsors of this measure would have us believe that these qualifications are tightly constructed limitations on the Administrator's information gathering power, and at first blush they are. But look again.

The language does not require that the Administrator know of some fraud or an unconscionable act before he utilizes his interrogatory power—he can use it to discover them. With this kind of power, a CPA could unquestionably require any businessman to file under oath reports and answers to questions dealing with trade secrets and other previously protected confidential business information.

This strikes me—and I would defer to Senator ERVIN if he feels otherwise—as congressional authorization for a search warrant without a prior finding of probable cause. These are the kinds of assaults on liberty which our forefathers fought a revolution over almost 200 years ago.

But the bill's proponents point to a list of so-called "safeguards." These include a prohibition against the actual inspection or copying of documents, the disclosure of information which would violate any relationship privileged by law and the admonition that information demands should not be "unnecessarily or excessively burdensome." That all sounds just fine, but what does it mean?

It means that the CPA will not be allowed to pillage a citizen's private files, that the CPA will not be allowed to invade the attorney-client relationship—and certain other limited legally protected information categories—and that he must not be totally outrageous in his demands on private citizens. I call these very small restrictions indeed—especially when one considers that there are Federal criminal penalties for false answers to any CPA questions.

Private citizens and businesmen are not the only ones who will be subject to the CPA information gathering powers. Federal agencies will also have to open up their files to the Administrator's scrutiny. Again the so-called safeguards are numerous, but insignificant.

As a matter of fact, this legislation may end up requiring us to grant every other agency of the Federal Government the same information gathering authority that we are asked to give the CPA here. The reason is that section 11 (c)(7) of S. 707, if enacted, will dry up the necessary information sources which all other agencies depend on. By precluding those other agencies from guaranteeing confidentiality in return for voluntary data submission, S. 707 will force businessmen to withhold trade secrets and business information which their competitors could use to their advantage. The result is that agencies with mandatory processes will be forced at great expense of time and taxpayer dollars to go to court for the information they need, and those with insufficient authority or funds to litigate will come to Congress seeking it.

But let us assume that the CPA has all of the information it wants—what can the Administrator do with it?

6. THE GREAT INFORMATION GIVEAWAY

Section 12 of this bill grants to the Administrator the right "to disclose to the public or any member thereof so much of the information subject to his control as he determines appropriate to carry out the purposes of this act." Subsection 12(a) makes clear that the only limitations placed upon this authority are those which are contained in the section—no other existing legal limitations on Federal agency disclosure would apply.

At the risk of oversimplification, I would merely say to my colleagues that the CPA can, under this bill, disclose to the public just about anything which it wishes—including trade secrets and confidential business information—without the traditional time-tested protections which apply to all other agencies of Government. I urge my colleagues to study the point-by-point analysis of section 12 which is included in the minority views for a detailed explanation of this matter.

CONCLUSION

In summary, I would simply say that there is good reason why this bill is as the press has said "the most heavily lobbied piece of legislation to come before Congress in recent years." That reason is that it is the worst bill to come before Congress in recent years. Anyone who will take the time to read the bill and consider its impact knows that. For the rest, I ask if the glamour of consumerism is enough for them.

Forty years ago Mr. Justice McReynolds in an extemporaneous dissent to an opinion he felt was disastrous said something which I believe bears repeating now. He stated:

> We protest. That never was the law, it never ought to be the law, and the shame and the humiliation of it all no one of us can foresee.

Those of my colleagues who oppose S. 707 feel the same.

DISAPPROVAL OF ALTERNATIVE PLAN FOR PAY ADJUSTMENTS FOR FEDERAL EMPLOYEES

The PRESIDING OFFICER. Under the previous unanimous-consent agreement, the hour of 11:30 a.m. having arrived, the Senate will now resume consideration of Senate Resolution 394, which the clerk will now report.

The assistant legislative clerk read as follows:

> Calendar No. 1089, S. Res. 394, a resolution disapproving the alternative plan for pay adjustments for Federal employees.

The Senate resumed the consideration of the resolution.

The PRESIDING OFFICER. The Senator from Wyoming is recognized.

Mr. McGEE. Mr. President, I ask unanimous consent that the staff members required by members of the committee responsible for this legislation be permitted the privilege of the floor.

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

Mr. McGEE. Mr. President, we had to cancel a 2-hour timeframe yesterday afternoon for the discussion of this question because there were not Senators present who wished to speak publicly in opposition to the proposal, and so we have been waiting this morning for this 45-minute interval for the appearance of those who might want to raise some question about the resolution before us.

While we wait for them, Mr. President, I would like to say two or three things very quickly about this measure that is pending.

This is not a cost-of-living adjustment. This is a comparability pay adjustment under the law. The Federal employees, through the Comparability Act of 1970, are to be paid wages comparable to those paid the work that they do in the private sector. This is simply an attempt to keep public service on a comparable level with service in the private sector of our economy.

The factor that is a shortcoming on this proposed pay raise is that when we are talking about comparability we are talking about last March—that is when the reading was taken that enabled the President's agents to recommend a 5.5 percent comparability adjustment for Federal employees.

It had nothing to do with the cost of living. It only had to do with Federal employees being paid an equitable salary in relation to their counterparts outside the Government.

Mr. President, there is one further point that I think we need to stress here, and that is in all of our country's vast economic activity, wage earners have acquired through sophisticated development various means of bargaining for their equities, so that they, at least, approach bargaining equality with management. This is true of virtually all of the private sector; it is true of some of the public sector. In some municipalities this is true. Among the Postal employees, this is true. They now have collective bargaining. But there is only one wage earning group of any measurable size that has no bargaining agency at the table, and those are the Federal employees.

Now, they have a representative. That voice is the Congress of the United States. In effect, we are their agent in this instance. Under the Comparability Act of 1970, the President is to take a reading on what the Federal employees require to achieve comparability.

His own people, the President's agents, advise him on that, and the President's own people advised him that it would require 5.5 percent for Federal employees and military personnel to catch up with last March. What has happened in wage negotiations since controls went off last spring is not touched by this. The fact that new labor agreements have added 7.5 percent to salaries, 8.1 percent to salaries, 11.2 percent to salaries since last spring is not an issue at stake here, except it reminds us that there is no true comparability even now as we address ourselves to this question.

The other and remaining point that has been raised in regard to this is that the President of the United States has asked us to get tough on the inflationary processes in this country, and he suggests that the place to start is here with the Federal employees.

We had a discussion on this down at the White House the other night—many of us were there—and it was necessary to say to our President that this has no relevance to the question of inflation. This is comparability, and that if we are really going to attack inflation by rolling back wages then, Mr. President, I will have to say let us roll them all back. There is no Federal employee that I know who wants special favor; there is no Federal employee that I know who asks to be coddled, who says, "Give me a consideration that not everybody else can have."

But the Federal employee does resent being singled out, when he is already nearly a year behind, as a token sacrifice to make some people think it is an assault on the inflationary practices in this country and, Mr. President, that is bunk, plain unadulterated bunk.

To ask Congress to welch on its commitment as the agent for the Federal employees who are not entitled to sit at the table and bargain for themselves, is an imposition, I must say, on the Members of Congress.

So I would say, Mr. President, that it is important that Congress honor its responsibility on this measure.

The President is not proposing to cancel this; he wants to put it off a while. President Nixon tried to put it off twice and the Congress overrode him because the mechanism for equity for Federal employees required this. And if the President chooses to delay it, Congress is required under the law to take positive or negative action on it, and that is why we are here today on this question.

In the discussions that we have all had on inflation everyone agrees we are not going to stop inflation or slow it down with this kind of a gimmick, but we are going to hurt a lot of meritorious people who are already being chewed up by the forces of increasing costs that they are not permitted to keep pace with even so.

So, Mr. President, equity requires that the Senate disallow the President's request, with all due respect to our President. It is not a relevant issue in stopping inflation, and even as we concern ourselves with rampant inflation, we ought to be equally concerned with rampant injustice, and that would be the consequence if the Senate fails to reject the President's recommendation here today.

Mr. President, we have a total of 45 minutes, 22.5 minutes on each side, is that correct?

The PRESIDING OFFICER. Forty-five minutes have been set aside for this debate but no time has been allocated to either side.

Mr. McGEE. Mr. President, I yield such time as the distinguished minority member or ranking minority member of the Post Office and Civil Service Committee may desire.

Mr. FONG. Mr. President, I thank the chairman of the Post Office and Civil Service Committee for yielding me this time.

Mr. President, I again rise to strongly urge Senate approval of Senate Resolution 394, a measure disapproving deferral of a Federal white-collar employee and military personnel pay increase from October 1, 1974, to January 1, 1975.

As I stated in my full floor statement yesterday on this resolution, deferral would be unfair and grossly inequitable.

Approximately 1,360,000 Federal white-collar employees and 2,162,970 military personnel would have their 1974 pay increases deferred under Presidential alternative plan which Senate Resolution 394 would negate.

This group makes up only 4 percent of our national work force.

In contrast, the remaining 81.5 million other workers in the United States, including approximately 700,000 Federal blue-collar workers, have already received or will receive before this year is up, their 1974 pay increases.

The pay increase these Federal white-collar employees and military personnel are scheduled to receive follows that of private industry. We are not setting the pace here, we are just following that of private industry.

The U.S. Civil Service Commission and the Office of Management and Budget have remommended a pay increase of 5.5 percent for these Federal employees in order to bring them up to comparability with private industry as of March of this year. However, the lid on pay increases in private industry was lifted on April 30 this year and unofficial reports are that since that date, private industry pay has increases from 7 to 30 percent more. This means that the Federal pay is even further behind the pay for comparable positions in private industry than the 5.5 percent recommended by OMB and CSC.

I deeply appreciate and I share President Ford's concern and determination to wage an all-out battle against inflation. However, this is a battle involving all Americans and the burden must be borne equitably. It is grossly unfair to impose sacrifices upon a very small segment of our national work force—4 percent—while imposing no similar sacrifice on private industry, which constitutes the other 96 percent.

Instead, the remaining 96 percent of the national work force and all of our private businesses have been left free to pursue whatever pay increases and profits they can get.

As I stated yesterday in my statement, our Federal white-collar employees and our military personnel feel the pinch of inflation—an estimated 11.5 percent from last October 1 to this October 1—just as much as workers in private industry and Federal blue-collar workers.

To win the battle against inflation, there must be an all-out effort, not one in which only a tiny segment of our national work force is called on to make a sacrifice.

I am certain that if the President and the Congress call on the American people to make some sacrifices in the battle against inflation, our Federal white-collar employees and our personnel in military uniform will carry their fair share.

Congress established the principle of comparability for Federal pay. Uncle Sam should keep faith with our Federal white-collar employees and military personnel.

The pay increase for these dedicated and responsible Federal employees and military personnel should not be deferred. I urge Senate approval of Senate Resolution 394.

Mr. STEVENS. Mr. President——

Mr. McGEE. May I ask how much time the Senator needs?

Mr. STEVENS. Just 3 or 4 minutes.

Mr. McGEE. I yield 4 minutes.

Mr. President, how much time do we have left on this side?

The PRESIDING OFFICER. Thirty minutes.

Mr. McGEE. That is on the total time, but we are trying to reserve equal time for those who want to represent the President's position.

We will try to respect that.

Mr. STEVENS. Mr. President, as the sponsor of the resolution, I deeply regret that we are in the situation where the President has taken a position contrary to what I believe to be the proper one.

To me, agreement to this resolution disapproving the President's request is a matter of simple justice.

Under the Comparability Pay Act, Government employees are brought up to, although about a year late, comparable wage rates paid in the private and non-Federal Government sector. This means that people in my State who are Federal employees are now waiting for the October 1 pay raise in order to make their wages comparable to the average wage paid other workers in Alaska as of March 31.

I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks an article from the Anchorage Daily News of September 9, concerning food and housing costs and how these costs have pinched the Alaskan wallets.

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

(See exhibit 1.)

Mr. STEVENS. Let me point out, for instance, that a 10-pound bag of sugar sold for $1.09 in Anchorage, wholesale, in July 1973. Today in Anchorage, that

same 10-pound bag of sugar costs $4.24, a 294-percent increase.

There has been an average wage increase of 15 percent for laborers, 11 percent for carpenters, 7 percent for plumbers. The roughnecks and drillers won a $5 per hour raise spread over the next 3 years, the teamsters have a new pact with Sea-Land, which gives the office-workers $2.50 an hour boost over the next 2 years; the International Association of Structural and Ornamental Iron Workers accepted $4.50 an hour increase over the next 2 years.

All this has taken place since the comparability survey was computed as of March 31 of this year.

I placed in the RECORD the other day a private industry survey by Business Week magazine of 22 States that showed an average of 7.63 percent salary increase in those States since March of this year.

Under these circumstances, I do not see how we can yield to a fourth recommendation to postpone pay increases for the white-collor civil service employee, in an attempt to have that employee alone try to wage the battle against inflation.

These wage rates are necessary for them to come up to the point where the average worker was as of March 31.

To me, it is unfortunate that the President has selected this issue to wage a campaign against inflation. I think it is unfortunate that his aides apparently did not point out to him that the former President had tried it on three occasions and his recommendations were not accepted.

They were not accepted for good and valid reasons. In my opinion, to ask 4 percent of the employees of the country to defer a raise in wages for 3 months would be a cosmetic approach in this battle against inflation. It would not solve the inflation problem. It would not have a perceptible impact on the inflation in this country. Rather, over this 3-month period—and I think we should mention it, the period between October 1 and January 1, the holiday season, the Christmas season—we ask this one group of people to defer getting the raises they were entitled to as of March 31. I think that would be grossly unfair.

I am hopeful that my colleagues will support the resolution which will overrule this recommendation of the President. Again I say I do it in the concept of wanting to support this President in the fight against inflation, and wanting to give him every possible assistance that Congress can give him in true steps—good, solid steps—which will have an impact on inflation.

I can think of a great many ways to combat inflation, Mr. President. Above all would be some way to control the interest rates that the Federal Government is paying to borrow money. In any event, we will get to those matters later. Those will be solid, constructive steps to attempt to control inflation, and not a cosmetic step to try to place the burden of this fight on the Government employees alone to face the battle that the whole country must face together or it will not be won.

EXHIBIT 1

[From the Anchorage Daily News, Sept. 9, 1974]

FOOD AND HOUSING COSTS PINCH ALASKAN'S WALLETS

Ask Alaskans how this year's inflation has affected them most and you're likely to get one answer: in the grocery cart.

Nearly all the persons who talked to The Daily News about coping with cost of living increases last week said they'd been forced to cut down their standard of eating. None of them were happy about it.

Jack White, an economics major at the University of Alaska and father of four, said he thought wage and price controls should be put back into effect immediately. "School lunches alone have gone from 55 cents in 1972 to 90 cents today," he said. "That's $3.60 a day, $20 a week and $80 a month for my four kids. It adds up to $720 a year for school lunches, and that's ridiculous."

White also complained about the rising price of milk—up to $1.05 or more a half-gallon today from 87 cents last summer—and said the price of gasoline had increased 11 cents a gallon in the last five months. He predicted that before long non-union wage earners in Alaska would hardly be able to afford the bare necessities of life.

Bernardine Bald, mother of one young daughter, said the grocery bill for her family of three had risen from $40 a week last year to $60 a week. "And that's with cutting down on fresh meat and produce," she said. "Sure, I worry about it. That's why we both work."

Kevin and Shala Earp, married for just two weeks, pondered the prices on the shelves at the University Center Safeway and said they bought only the cheapest brands. "We try not to skimp too much on food, though," said Shala.

John and Evelyn McQueen, who are retired and living on a fixed income, said they hadn't bought good beef for about two years. "There are just too many people trying to make money now and saying to heck with tomorrow," said John. "The attitude is 'get it while the gettin's good.' "

Richard Washington, who was born in Anchorage, said he was worried about the price of food and the price of housing—the second highest complaint voiced by everyone. He said he was forced to move to a smaller apartment last week after his rent was increased from $295 to $315 a month.

Mr. McGEE. Mr. President, what is the total time that has elapsed?

The PRESIDING OFFICER. Exactly 23½ minutes.

Mr. McGEE. If the distinguished minority whip is prepared to place the case before the Senate that represents the other point of view on this question——

Mr. GRIFFIN. Will the Senator yield me 5 minutes?

Mr. McGEE. I yield such time as the Senator would like.

Mr. GRIFFIN. Mr. President, yesterday in one of the afternoon newspapers I read a story to the effect that the vote today would represent a major test for the new President. I respectfully suggest that, instead, the vote today will be a major test for the Senate as to whether we are serious about the fight against inflation.

The question is: Will the Congress—particularly the Senate, on a bipartisan basis—support President Ford in his program to cope with the most serious problem facing the Nation, which he has called domestic enemy No. 1: Inflation.

In view of the pressures generated by union organizations which represent Federal employees—quite appropriately—I realize that it is difficult for many to support the President on this issue. But I suggest that it is very, very important, that the Senate provide that support. If this Senate says no on this occasion, then the floodgates will be open, so to speak. It will be more difficult for the President to call on others in our society to sacrifice and to exercise restraint.

The argument has been made: Why single out this particular group, this small percentage of the work force? The answer is that we have to start somewhere.

What is the President asking? He is not calling upon these employees of the Federal Government to forego the pay raise altogether. He is only asking them to sacrifice to the extent of deferring the effective date of the pay raise for 90 days.

It should be noted, incidentally, that the scheduled pay raise we are discussing will not affect Federal judges, Members of Congress, and others in the higher levels of the executive branch. Government personnel in those categories have been sacrificing for 5 years, because it has been that long since they have had a salary adjustment.

On the other hand, the 3½ million white-collar Federal and military personnel who would be affected have had regular pay adjustments, year in and year out. In fact, during the past 5 years, employees in this group have received pay raises totaling more than 30 percent.

Congress has seen to it over the years that pay raises for this particular group of Federal employees has kept pace, roughly speaking, with the cost of living. There are many others in our society, unfortunately, whose income has not kept pace with the cost of living.

The vote we cast today will be important from several points of view. First, it will be important in terms of the amount of money that can be saved by supporting the President—$700 million.

When added to the savings to be realized by eliminating 40,000 Federal jobs through the process of attrition, as the President has announced, that will amount to a saving of $1 billion in this fiscal year.

In his campaign against inflation, the President has called for a reduction of $5 billion in this fiscal year in the level of Federal spending. The vote today will determine whether $1 billion of the proposed $5 billion reduction will be realized.

I know we will hear arguments made that "Congress has already been reducing the budget submitted by the administration." To that I will have to say "baloney."

For example, yesterday there was a HEW appropriation bill on the floor. The report indicated that the committee had reported a bill $600 million below the administration request. But how did the committee arrive at that figure?

The committee reached that figure by reducing the amount requested for welfare assistance. But as everyone knows,

the Congress will have to provide whatever amount is required to fulfill the Federal Government's obligation under the law—until we do something to reform the welfare laws. Accordingly, if the administration's estimate of the amount needed is correct—and the committee's estimate is wrong—the HEW appropriation bill approved yesterday can turn out to be only the first step. Later on it is likely that Congress will be required to pass a supplemental appropriation bill *for as much* as another $1 billion to provide the Federal share of welfare assistance.

Viewed in that light, the bill passed yesterday was merely a cosmetic sleight-of-the hand kind of a cut. It looked good yesterday but it will not look good at the end of the fiscal year when the final figures are tallied up.

I am concerned that a vote against the President today can be very demoralizing for those who are watching and waiting to see whether Congress is serious and sincere about its role in the battle against inflation.

It is not reasonable to expect only the housewife who goes to the grocery store to make the sacrifices. If the battle against inflation is to be won, others must be willing to sacrifice as well, including Federal employees.

I am certain that a great many people around the country and around the world will be watching this vote today—to see whether the Federal Government really is willing to set an example. This is our opportunity to set an example and to provide the kind of leadership that is desperately needed.

So, I urge my colleagues to consider what this vote will mean, not only in terms of actual dollars to be saved, but also in terms of what it will mean psychologically. In many respects, as we know, the battle against inflation is a psychological battle. How the people on Wall Street view our actions—what the people at bargaining tables who represent management and unions think—how people in foreign capitals and money centers around the world react—the psychological impact of what we do—or fail to do—is all important in determining whether the battle against inflation can be won.

Accordingly, I urge my colleagues to vote against this resolution of disapproval, and thereby to support the President's request.

Mr. McGEE. Mr. President, we have two requests for time. I yield 3 minutes to the distinguished Senator from Maryland and 4 minutes to the distinguished Senator from Arizona, in that order.

Mr. BEALL. I thank the distinguished chairman of the committee, the Senator from Wyoming, for yielding to me.

Mr. President, I am reluctant to oppose my good friend from Michigan, the assistant minority leader, on any issue, but I am afraid that I do have to rise in opposition to him and in opposition to the President's request on this issue.

In his message to Congress on the Federal pay raise, President Ford said:

> I must call upon all Americans without exception to make sacrifices in order to hold down wages and prices.

However, this proposed postponement does not call on all Americans to make sacrifices. Rather, it once again singles out one segment of our population to carry an unnecessarily heavy burden in the fight against inflation.

Mr. President, I am fully aware of the difficult actions which this Congress and the American people must make in the coming weeks in order to halt inflation. On Monday of this week, I was privileged to serve as a cohost of the Conference on Inflation, dealing with business and industry, held in Pittsburgh, Pa. The point was made quite clearly that inflation is our No. 1 national problem.

I am sure that my mail, as does the mail of every other Member of this body, reflects the concern of the American people that inflation is indeed our most pressing national problem. But we cannot effectively fight inflation by denying this relatively small pay raise to Federal employees. On the contrary, the only result of this action would be to unnecessarily increase the price squeeze on a small group of American families.

The purpose of the 1970 Federal Pay Comparability Act was to insure that Government workers receive earnings comparable to those in the private sector. In fact, I remind my colleagues today that this increase is not a cost-of-living rise designed to bring the pay of Federal white-collar workers up to parity with the Consumer Price Index. Instead, it is a comparability increase prescribed by law, to make the pay of Federal workers comparable to their counterparts in private industry as of March 1974.

Thus, the Federal employee, even if he was to receive this raise on October 1, would still be 6 months behind a similar employee in the private sector.

I also remind my colleagues that price controls were lifted on May 1, 1974, and there have been a lot of independent actions in the private sector of our economy since that time. Thus, Government employees lag even further behind than they would had the wage controls stayed on.

Inflation is indeed Public Enemy No. 1; but, in my opinion, it is not fair for us to use the Federal employee as a scapegoat every time we want to trim the budget. I do not believe that, at a time of 12-percent inflation and countless double-digit wage increases in private industry, one particular group should be called on to fight inflation when the same restraints do not apply throughout the rest of the economy.

I should like to make an observation about the remarks of the distinguished Senator from Michigan. He related this pay raise to a pay raise for Members of Congress or for high-level Federal employees or for members of the Judiciary. I do not think there is any relation between the two. I recall several months ago when the chairman of the committee and the distinguished ranking member very diligently took the floor and vehemently argued for a pay raise for this group of people. I voted for it, but it did not pass. But that is our fault, and Federal employees should not be forced to bear the burden for what was really a "chicken" action on the part of Congress, because the Members of Congress were afraid of the political consequences that might result from raising their own salaries and thus raising the salaries of judges and other high-level Federal officials.

Just because we were "chicken" for ourselves should not cause the Federal employees and those housewives who have to go to the marketplace and pay exceedingly high prices for their food to bear an undue burden.

So I suggest, Mr. President, that it is not contrary to the national interest to allow this pay raise to go into effect, and it is very much in the interest of a group of very loyal and dedicated people, to see that they are able to fight inflation, just as are members of the private sector of our country.

Therefore, I urge the Senate to agree to this resolution of disapproval.

Mr. McGEE. Mr. President, I yield 4 minutes to the Senator from Arizona.

Mr. GOLDWATER. Mr. President, at the opening of each of the three terms that I have served in the U.S. Senate, I have placed my hand on the Bible and sworn to uphold the Constitution of the United States against all enemies—foreign and domestic. However, my feeling with that responsibility goes deeper. Not only should I defend the Constitution, but I feel that I should defend the Government of the United States and all its people against all enemies—foreign and domestic—or, just to defend the United States against all enemies—foreign and domestic.

The foreign enemies are obvious and rather clear, but the domestic enemy—which is more of a threat against the future of freedom and our way of life—is inflation, and up until recent times it has been all but hidden in the minds of the Members of Congress.

Yesterday, when the final vote came on the passage of the health, education, and welfare bill, I voted "No" because this bill was over $4 billion in excess of what it had been last year and even though the report indicated that there had been a reduction. This is what I call "legislative hokey pokey"—this was not true.

I want to protect my country and protect our people, so I am going to vote against every appropriation bill that comes across the floor that is more than last year or in excess of this year's budget.

My colleagues might say, "But what about military spending?" I remind them that I have gone along with the Appropriations Committee on their reduced spending, and I intend to go along with the conference report on the same subject.

We are faced today with the resolution that calls for going around President Ford's request to delay the automatic increase of pay for civil employees which is to go into effect in October. The politically wise thing for me to do, of course, would be to vote against the President, but if I am going to vote in consonance with my conscience, I intend to vote to uphold the President's request because sometime, someplace, in spite of all the threats, in spite of all the problems that we know will occur, this Congress has to begin to show

enough courage to do something about inflation.

Inflation is far more insidious than depression. I know; I lived through the major depression of this century, and I never want to have that happen again to any America. But we have lived in a period of growing inflation, now, for a number of years, and it is painful for me to go home and see a man or woman trying to live on a fixed retirement income, not really being able to make it work. I know that there are those amongst us who argue that we will not have any major depression because our Gross National Product is only down a small percentage, because workers are protected by unemployment insurance, by strong unions, by minimum wage law and social security and private pensions help. I will suggest that these things mean nothing if the dollar is valueless.

They will argue further that Government has greatly expanded its power to tax, to spend, and to regulate the money supply—all of which might be used to ward off a business crisis. This is very true providing the money has some value.

They will argue that the stock market is more tightly regulated; they will argue that bank savings and loan deposits are insured by the Government and that home loans are dragged out over a longer period and many of these are backed by Federal funds. "Another big depression?" some of these folks say, "We're not even close to it."

But. I say, "Show me the difference between a dollar rapidly declining and a depression. It is hard to tell between them as far as human suffering goes."

The thing that can be done in this country to slow down the rate of inflation and eventually stop it is to begin right here in the Federal Congress by cutting appropriations, by attempting to balance the budget, by trying to spend within our means. It has been estimated, for example, that if we do not take these necessary steps today, the total income from taxes in 1976—which was estimated to be around $330 billion—has dropped to $325 billion; and if we do not do anything about the budget, the budget that year could well be $335 million which is another massive deficit that this country yet can not stand, nor can its dollar, and if this occurs it will be necessary for the Federal Government to tax over 50 percent of the earnings of the people, thereby diminishing their ability to spend the money that they have earned—a right that they are well guaranteed.

As I said before, these votes are going to take courage, and I know that my actions yesterday and today will bring unprecedented complaints from my home States. But I keep remembering what I swore on the Bible to do—to protect not only the Constitution, not only the Government, but the people.

I think, Mr. President, it is time we thought about 210 million people and not a handful here or there who can raise their complaint and come here to Washington and put political pressure on this body to do what is wrong for the United States.

Mr. McGEE. Mr. President, how much time remains?

The PRESIDING OFFICER (Mr. HATHAWAY). Three minutes remain.

Mr. McGEE. Mr. President, the distinguished minority whip was characterized this as a test of the Congress, not a test of the President. I think that is a correct way to put it, and I accept that. The question is, Is it the prerogative of Congress in its test to give away somebody else's equity?

That is really what is at stake here. Congress is not giving up anything itself. We are not giving up projects in our home States. We are addressing ourselves to an entitlement of Federal employees that is already 6 months overdue.

Congress, as the only bargaining agent those employees have left, has a moral responsibility to honor that obligation. That is the real test here.

I say to the distinguished Senator from Arizona, who rightfully says that he wants to stay within the budget, that if he would examine the budget, he would find that this item is budgeted. The President's budget includes allowances for this pay adjustment.

We are not adding something to the budget; it is there now. But the proposal from the President is to withdraw this from the budget in order to provide a cosmetic, I suppose to convince somebody that he is fighting inflation.

Well, Mr. President, the Federal employees are willing to take their lumps, but they do not want to be the scapegoat. If we really mean it when we say we can go after inflation all-out, as the Senator from Arizona has just said we must, then let us do it to all wages and all profits and all interest rates and all dividends. Then we have the American people committed to this noble enterprise. But do not pick on a group that is already behind on equity. That is what the Senate has to look after.

The distinguished minority whip used the word, "baloney," and then he appeared to wish he had not used it. He kind of apologized for it. I do not think he has to apologize for it; it is one of the highest-priced words in our vernacular. But now, Federal employees have to look forward to living on it as well as living with the baloney.

Mr. President, we believe that equity requires denying the President's request to delay this modest adjustment.

Mr. STEVENSON. Mr. President, the President's proposal to defer Federal pay raises by 3 months will save the Federal Government $700 million, and by no conceivable means affect the rate of inflation.

The proposal is addressed to the wrong problem. The problem is not excess demand, but inadequate supply and productivity. The issue is how to produce more food and insure its equitable distribution. The issue is how to reduce extortionate energy costs and generate more supplies. The issue is how to make our economy more competitive, to expand industrial capacity, and to increase the supply of housing. The issue is how to reduce wasteful Government spending, and we do not do that by penalizing those who are trying to make Government work better. The elimination of just one Trident submarine would more than double the saving which would be achieved by the deferral.

The deferral would cost Federal employees $200 each, and like other citizens, these public servants are struggling to keep up with the cost of living. It would be hard on them, and it would be unfair. I do not approve an effort to single out one group simply because it consists of public servants.

The fight against inflation is fast becoming an ugly effort by special interest groups, each seeking to place the burden on someone else. They each say the belt must be tightened—and then propose to tighten someone else's belt.

Our President promised to be a President of all the people, and it is saddening to see him join the effort to place the burden on the fight against inflation on those who can least afford it. He is not taking on the oil companies who fatten on the crisis they helped create. He proposes to deregulate "old" oil and "new" natural gas, increasing oil company profits and burdening the people still more.

There are ways in which Federal spending can and should be cut—but they are not suggested by the new President. Such poposals would put a burden on the military industrial complex, instead of on working men and women, professional public servants included.

The Administration opposed the enactment of general authority to defer excessive wage and price controls. This inconsistent proposal is an effort to cover up the administration's failure to advance any proposals which would effectively control runaway inflation without causing a more serious recession. There is no other explanation for a proposal which will not affect the rate of inflation and singles out unfairly public servants.

Having said all that, I will reluctantly vote to defer this pay raise. Inflationary psychology is an undeniable factor in runaway inflation. The Government must attempt to break that psychology, for if it does not, a vicious wage price spiral will continue to be fueled. This, tragically, is the only action so far proposed by the administration. For the Congress to disapprove the deferral would have an adverse effect. It would signify to an anxious Nation, however wrongly, that the Congress and the Government are unprepared to act and confirm an anxiety which already is causing high prices which, in turn, cause higher prices, then higher wages and still higher prices. But it must be followed by other action. Everyone must bear equal sacrifices. Wasteful military spending must be cut. Interest rates must be reduced. Tough measures to stimulate productivity must be forthcoming.

But, instead of action, the Ford administration is treating us to a conference on the economy. I cannot recall an occasion in history when the United States in the midst of a crisis substituted a conference for action. And judging from my own experience at the Regional Economic Summit Conference in Chicago and the reports from the other regional conferences, this summit conference is nothing more than a ritualistic exercise by special interest groups at the altar of

old time religion—with each special interest group seeking to tighten the public's belt at the expense of someone else.

I found the public excluded from the regional conference in Chicago, and representatives of the public were hard to find. Instead, the good folks who gave us 12-percent interest rates, 12-percent inflation, 6-percent unemployment, and 100-percent economic incompetence for the last 5 years were gathering to suggest more of the same. They have still not seen the light. The old time religion they are practicing is a prescription for economic disaster—more recession and more inflation.

Because of the danger that this economic conference is being used to develop support for a predetermined conclusion, namely, indiscriminate, across-the-board budget cuts and continued tight money, I think it behooves us in the Congress to commence our own debate on the economy as representatives of the people and to reflect the more enlightened economic thinking in the Nation. Otherwise, the country will be brainwashed, and the disciples of Herbert Hoover and Ebenezer Scrooge will combine to give the Nation and the world what their predecessors contributed in 1929—world depression with political instabilities that are more threatening in some ways in the nuclear age than they were in the 1930's. What we need is some new time religion.

With that in mind I struck a discordant note in Chicago and propose to share it with my colleagues. These comments were necessarily given in a summary form, but they are for the most part supported by serious analysis, in many cases by legislative proposals already prepared—and by a growing body of opinion among economists. I ask unanimous consent that my statement at the Chicago Economic Conference be inserted in the RECORD at this point.

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

STATEMENT BY SENATOR STEVENSON BEFORE PRESIDENT'S FOOD AND AGRICULTURE CONFERENCE

It is painfully clear that the dangers of inflation and recession are acute, that inflation and recession inflict untold suffering on millions, that the burdens fall unevenly and that a concerted national effort is essential.

The danger now is that solutions will be addressed to the wrong problem:

That inflation will be seen as a problem of excess demand;

That demand management policies will be invoked which call for a decline in economic activity;

That reduced purchasing power and increasing unemployment will be seen as the way to alleviate the pressure on prices;

And that the nation will head into an ever-deepening recession, with declining production, more people out of work, greater security, and still higher prices.

For the first time, both inflation and recession have struck at the same time. In the last year, consumer prices have risen by almost 12% and are expected to continue rising at over 10% for at least another year. If wholesale prices continue increasing at their current annual rate of almost 47%, consumer price increases could be even higher. Production has declined over each of the last two quarters and is not expected to pick up significantly—if at all—during the remainder of the year. Unemployment now stands at almost 5½% and is expected by some economists to rise to almost 7% during the next year.

Under these circumstances, the old time religion of across the board budget cutting and a restrictive monetary policy is a prescription for disaster. It will exacerbate shortages. It will mean fewer goods in a shortage-plagued world. It will put more people out of work, and by reducing the overall level of supply, bring still higher prices. In short, old time religion will produce more old time penance, and by ignoring today's realities, inflict more suffering and hardship.

Reject the notion that economic slowdowns is the cure for today's economic problems.

The demand-pull pressures of the late sixties are behind us. We now face a new situation where business and labor outbid each other to escape the consequences of past price increases. Dramatic jumps in the prices of food and fuel are sending shock waves throughout the economy. In the case of fuel, soaring prices are the result of concerted action by foreign producers and the acquiescence of a noncompetitive oil industry. In the case of food, skyrocketing prices are the result of dollar devaluations, worldwide demand, increased costs of energy, shortages of fertilizer, and diminished crop yields due to bad weather in the United States and elsewhere—not to mention wheat deals, soybean embargoes and other misguided government interventions.

Under these conditions it would be ironic if the United States deliberately embarked on a program of producing less—of reducing the total supply of goods and food available for itself and the world.

We must produce more. We need increased investment, not reduced capital spending. We need increased productivity, not more people out of work. We need a more competitive and vigorous economy, not one bogged down by recession.

This conference will attempt to identify the causes of inflation and find solutions. Let me suggest matters which I believe deserve special attention. These suggestions are in summary form, but they are backed up by analysis, can be elaborated and in many cases are in the form of legislative proposals already pending in the Congress.

First, in agriculture, we must face up to the fact that worldwide demand for food is rapidly outpacing our ability to keep up with supply.

In less than a generation, the world's population may double. If incomes rise, per capita grain consumption will rise, as people turn to meat instead of grains for protein. But the ability to expand production is constrained by limited resources of land, water, fertilizer, and energy and by apparent limits on the possibilities for genetic improvements.

We may be in for a prolonged—if not permanent—period of food scarcity. Grain reserves are at their lowest levels since World War II. This year's reduced crop projections in the United States and Canada, an uncertain Soviet crop, drought in the Sahel, and the failure of the monsoon in India mean that no immediate relief is in sight.

For too long our policy was geared to decreasing instead of maximizing production. That must be changed.

We need a policy which insures that United States farmers have adequate supplies of fuel, fertilizer, and transportation facilities so that they produce at full potential.

We must stop such senseless policies as according DISC tax incentives for the export of fertilizer, and we must take steps to insure that fertilizer is allocated to priority needs. Americans now apply some three million tons of fertilizer to lawns, gardens, and golf courses, more than all the fertilizer used by farmers in India and half as much as the current shortage in the less developed countries.

We must take steps to minimize the impact of fuel costs on agricultural prices. Over the last year as much as 40% of the rise in food costs was attributable to increased energy costs alone.

We must insure a balanced transportation system, including the availability of railroad cars, track and roadbeds.

We must develop an international marketing policy which recognizes the vulnerability of United States grain reserves and prices to massive unexpected purchases by other countries. We need a policy which accords traditional customers and needy nations an opportunity to share in the American harvest. We need an export policy which identifies developing short supply situations before they reach crisis proportions and a plan to insure that the export earnings potential of American agriculture is maximized without creating shortages at home. Such needs are addressed in the Senate passed version of the Export Administration Act.

The second area needing careful attention is energy.

Nothing is bought, sold, grown, or manufactured without energy. Last year's 75% increase in the wholesale price index for energy inflates the price of everything we buy and ripples throughout the economy. Massive balance of payments deficits for all oil consuming nations are undermining the international financial system and gravely impairing economic growth, especially in the less developed countries. The high cost of oil causes shortages of such commodities as fertilizer and forces a shift to heavy reliance on an energy source which is dangerous to the peace and stability of the world—nuclear power.

The supply of energy is controlled by a cartel of multi-national oil companies and oil producing nations. Their stranglehold must be broken. The United States should lead a major bargaining effort with foreign producers to bring down international oil prices. If foreign governments restrict access to essential supplies either through embargoes or prohibitive prices, the United States, with other consumers, should, after exhausting efforts at the bargaining table, retaliate.

I might add that a new round of trade negotiations is desirable, but the GATT framework includes few major raw materials producers. Bargaining for oil and international export rules will have to take place outside that framework.

The United States must also restore competition to the energy industry and bring down domestic oil prices. The present industry structure permits unchecked price increases and profit levels without increased production. In fact, the oil companies and foreign producers are reducing production in order to keep supply tight and profits high.

We need to put America's energy interests first. A United States oil and gas corporation would do that. We also need reform of natural gas regulation to provide new producer incentives, protection from extortionate prices and a supply for essential purposes, including the protection of nitrogen fertilizers. We need to promote rapid development of clean alternate fuel sources utilizing coal and oil shale as well as solar and geothermal energy. And we need a major effort to conserve energy use, through better insulation of our buildings, more efficient use of lighting, and more efficiently designed automobiles and transportation systems.

Third, we must cut wasteful Government spending.

The prime candidate is the Pentagon budget—the largest single part of the Federal budget. Spending for unnecessary weapons systems, swollen military payrolls, foreign military aid, and a space program that is out of all proportion to possible domestic benefits is inflationary. It produces no new

goods for people. It results in no new hospitals, schools, homes, farm land, transportation systems, or any of the other sources of economic well being. Instead, it reduces the resources available for the production of goods, including food, and it creates new purchasing power without increasing supplies.

Fourth, we must identify and eradicate governmental programs, laws, and regulations which have the effect of stifling competition, perpetuating wasteful practices, and blocking innovation. A cost of living council with appropriate powers could monitor the public as well as the private sectors.

Fifth, we must bring interest rates down.

High interest rates do not stop inflation. In today's circumstances, they cause it.

They increase the prices of everything we buy—homes, farm machinery, electricity. And their effects are felt long into the future.

A home or farm mortgage at today's interest rates means higher monthly payments for the next twenty or thirty years. Industrial plant and equipment financed at record-high interest rates means higher costs of production which are eventually passed on to the consumer. Today's interest rates have imposed tremendous cost pressures on electric utilities, and, together with increased oil costs, are sending utility bills skyrocketing. Productive capacity which should be increased—is decreased by tight money. Record high interest rates have already virtually halted new home construction causing depression in the construction industry—and inflated housing costs.

Sixth, we must improve the competitive structure of the economy.

Corporations must not be allowed to accumulate monopoly power and then use it to manipulate the market to secure higher prices at the expense of increased production. The antitrust laws must be vigorously enforced. In addition, we need a major effort to identify and root out restrictive practices, such as tacit concerted action and discriminatory pricing.

Seventh, we must reform the tax system, so that those who have suffered most from inflation are not saddled with the added double burden of unfair taxes which erode their limited purchasing power still further.

It is increasingly burdensome for those in the middle and lower income brackets. If their incomes rise to make up for inflation, they move into higher brackets. The result of their efforts is increased taxation and a decline in real income.

Payroll taxes account for the greatest proportion of Federal taxation and hit the lowest income groups hardest. They should not be increased—to say the least.

Loopholes which permit the wealthy to evade their fair share of the cost of government should be closed.

Eighth, the Federal Government must take the lead in identifying the causes of inflation.

It must pinpoint irresponsible action. It must act to secure necessary restraint. And it must make a major effort to increase productivity.

Last Spring, I warned that complete abandonment of the economic stabilization program would lead to new burst of inflation. That prediction has come true. Consumer prices are rising at an annual rate of almost 10%. And, wholesale prices, after rising at the astronomical rate of 44% in July, jumped still further to almost 47% in August. They are a sign of what is to come.

I do not advocate a return to wage and price controls except for price controls in the petroleum sector. But the President should have a stick in the closet for special interest groups which seek to profit at the expense of others while we are all engaged in a common effort to fight inflation.

The monitoring agency which the Congress recently approved is not enough. When the President identifies excessive increases, he is powerless to act. What he needs is authority for effective jawboning, including authority to postpone excessive increases when necessary—as suggested by the chairman of the Federal Reserve Board.

Ninth, and finally, we must put a "safety net" under those workers who lose their jobs in the fight against inflation.

This means an adequate program of public service employment for those who cannot find work in the private sector, and a strengthened program of unemployment compensation to provide a measure of security to families who are the victims of recessionary job cuts.

These are only some of the steps which must be taken.

Throughout our effort must run an appreciation of the strength of the American economy. It would be tragic to embark on a course of action which deliberately reduces the Nation's wealth. Our basic problem is untapped potential—as two successive quarters of declining output and rising unemployment demonstrate. The challenge is in tapping that potential. And probably our greatest potential for economic well-being at home and in the world lies here at the heartland on the farms of America.

Mr. DOMENICI. Mr. President, during my tenure in the Senate, I have consistently advocated budget restraint. Recently, I have made it my prime task to review all appropriations bills and to recommend cuts in these bills where they appeared inflationary.

Budget restraint is merely one of the many devices we must use in the battle against inflation. And because budget restraint translates into sacrifice by the public—either through lower wages or unemployment due to fewer Government projects—we should especially try in this area to make sure that budgetary restraint is undertaken in a fair and equitable manner. When it is undertaken in such an across-the-board fashion, everyone will equally share the sacrifice and struggle.

After reviewing President Ford's proposal, I am convinced that one small group of Federal employees are being discriminatorily singled out to fight the battle against inflation alone. Let us examine the record: while consumer prices are up almost 12 percent over last year, Federal employees will only get a 5.5 percent raise. At that, the raise will only conform to what comparable jobs in the private sector were paying last March. Furthermore, Federal employees other than military and white-collar workers have already received pay hikes for the year—and some of those increases exceeded 16 percent. In my State of New Mexico blue-collar workers received an 11.24 percent raise this summer. Why should their white-collar counterparts not receive a 5.5 percent raise? Even with such a raise, they will have suffered a 7-percent decrease in their standards of living.

When President Ford proposes a uniform approach to Federal wage restraint, and an overall Federal budgetary program of constraints in all sectors, which I believe he should do as part of the economic summit conference, then he will have my whole-hearted support. Such a plan should include an across-the-board, uniform wage raise deferral. Thus, we can show the private sector that we support fair and equitable restraint and the private sector must then be asked to do likewise in the interest of our country. It must agree to do so, and follow our lead, or most certainly controls and formal allocation systems will follow.

And so, I support Senate Resolution 394, and urge my colleagues and the President to arrive at a more equitable plan to fight inflation.

Mr. HOLLINGS. Mr. President, I join my colleagues on the Post Office and Civil Service Committee in recommending that the Senate favorably approve Senate Resolution 394. As we all know, on September 11 President Ford called for a postponement until January of the proposed 5.5 percent pay raise for Federal white-collar employees and military personnel. Senate Resolution 394, which we are considering today, would assure that these Federal employees receive their pay raise on October 1.

Since the consumer price index has increased 11.8 percent over the past year, the proposed pay increase of 5.5 percent will give this group less than half of the increase in the cost of living. During the past year, the private sector has received incremental increases to meet inflation averaging 7.8 percent and 22 percent for their executives. I believe it is unconscionable that one group should be singled out to suffer the burden of the spiralling inflation in our country.

We all agree with President Ford's statement that the Government has the responsibility of initiating a plan to stop inflation and spending is certainly an important factor. Further, I recognize the need to balance our Federal budget, and I have helped in the Senate efforts which have resulted in a cutback of some $6 billion in the fiscal year 1975 budget. The day after President Ford made his recommendation to delay the Federal pay raise, he went down and gave a bigger increase to the District of Columbia employees, praising them for their fine work. I think Federal employees have done equally fine work and should not be singled out. I had recommended to Arthur Burns—and he agreed with me—that to make it uniform what we should do was cut the 5.5 percent to 4.5 percent and make it apply to public and to private labor contracts as a guideline for all employees—private and public. In this way we would have saved the $700 million and more—and not just temporarily.

The proposal to delay this increase is unfair, and accordingly I cannot support such a move. I urge my distinguished colleagues in the Senate to voice their approval for Senate Resolution 394.

Mr. HARRY F. BYRD, JR. Mr. President, I have given a great deal of thought to President Ford's recommendation that the October 1 pay increase for Federal employees, as provided by the Federal Pay Comparability Act of 1970, be postponed for 3 months and that Federal employment be reduced by 40,000 workers through attrition.

President Ford's purpose in each case is to help in the war against inflation.

I shall discuss these two items separately.

Under the act, the mechanism allows for a 5.52-percent pay increase effective October 1. President Ford would delay the effective date to January 1, 1975.

While I approve his purpose, I have not been able to convince myself that it is fair and appropriate for the President to ask only one group within the economy to forgo a salary increase. The President has ruled out wage controls and price controls for private industry, a position with which I am in agreement.

With reference to the President's proposal to reduce Federal employment by 40,000 by attrition, namely by not filling vacancies, I support this, but it does not go far enough.

The report of the Joint Committee on Reduction of Federal Expenditures shows that for the 6-month period January through June 1974, the number of Federal employees increased by 91,044. I see no justification for such a tremendous increase in public employees.

A sharp increase in the number of Federal employees adds greatly—and permanently—to the total cost of Government, and I believe results in less efficiency. The deferral of a pay increase, besides being inequitable, can yield at best only a one-shot saving.

Because the deferral singles out one group for financial sacrifice, I shall vote against delaying the 5.52-percent increase for Federal employees.

Mr. BUCKLEY. Mr. President, as is so often the case, this is not an easy vote to cast.

In the instant case, the President has asked, as his first major proposal for a reduction in Federal expenditures, that we postpone for 90 days a comparability increase in pay affecting statutory, or white collar, employees. It is discriminatory in its effect as other categories of Federal employees have already received increases larger than the 5.52-percent pay increase projected for the employees in question. Furthermore, that projected increase is less than would be required to cover the effects of inflation.

On the other hand, it is now universally agreed that it is of paramount importance to every citizen of this country that we move effectively to bring the forces of inflation under control. It is further agreed that this can be done only by reducing Federal expenditures to a level that will eliminate inflationary deficits. These necessary cutbacks will have an unequal impact on various segments of our population and our economy. They will create hardships. On the other hand, all of us must be prepared to assume a portion of the burden—even a disproportionate share of the burden—if we are to have ourselves the more serious and potentially devastating effects of a runaway inflation.

Mr. President, over the past 6 months, mine has been among the most persistent voices in calling for significant reductions in Federal expenditures. I have authored legislation that would authorize the President, with appropriate safeguards, to cut outlays to the level of $295 billion for fiscal year 1975 without the necessity for further review by the Congress. I have voted against a number of appropriation bills that failed to reflect serious attempts at cutting expenditures. Under all these circumstances, I do not see how I can plausibly vote against the President's first action in support of a general policy that I and so many others of us have been urging on him since he took office.

In saying all this, Mr. President, I am deeply concerned with the fact that the $700 million that will be saved—a substantial portion, incidentally, of the target savings of $10 million urged by Dr. Burns and others—will be made at the expense of a group that cannot be accused of having made excessive demands on their fellow citizens. I believe, however, that there are offsetting considerations that should be taken into consideration, given the fact that any reducion in expenditures will have its impact on a specific group.

In this instance, no one will lose his job as a result of the proposed action—this in direct contrast to the effect of other measures that have and will be taken in order to achieve our necessary national economic objectives. Furthermore, a deferral in the pay increase will be of a short duration. I might note, in passing, that in this respect the affected employees will fare better than have thousands of others in higher grades whose pay has been frozen for the past 5 years by virtue of the Congress rejection of comparability increases in its own case.

Mr. BAYH. Mr. President, there have been times during my 12 years in the Senate when I would have liked to vote for or against "half a resolution" or "half a bill"; times when the legislation before us was called for in some respects and unwise in others.

The resolution now before us is another of these difficult choices.

We must vote either an unqualified "yes" or an unqualified "no" on the question of whether the regular Federal pay raise should be permitted to go into effect as scheduled on October 1.

Faced with this choice I have determined that the Federal pay raise should, on balance, be approved and am prepared to vote accordingly for reasons I shall explain in a moment.

First I want to emphasize that my reference to voting for "half a resolution" is not facetious. I had, in fact, instructed my staff to find out if there was a proper legislative means to amend the resolution now pending to grant the Federal pay raise as scheduled on October 1 to low- and middle-income Federal employees, while, at the same time, deferring the pay raise for 90 days for higher income Federal employees.

I inquired into the possibility of amending the resolution in this fashion because of my conviction that low- and middle-income Federal employees confronted with double-digit inflation, like other Americans of the same income level, need the modest cost-of-living raise to which they are regularly entitled on October 1. I also feel strongly that Federal employees at the upper end of the income level could make the sacrifice of postponing their pay increase for 90 days.

Such a postponement of the recommended 5.52-percent pay increase for higher income civil servants would meet the two objectives set out by President Ford when he proposed delaying the pay increase for all Federal employees. It would help evidence the commitment of the Federal Government to fighting inflation by asking our own people to make sacrifices, although limiting the sacrifices to those who could really afford it. In addition, delaying the pay raise for those Federal employees at the higher end of the income spectrum would help us reduce Federal expenditures in the current fiscal year.

But, Mr. President, this approach of giving the cost-of-living increment to those who need it the most, while asking others to make a small sacrifice in the national fight against inflation, is not available to us under the rules whereby we are considering the President's request to postpone the regular cost-of-living adjustment in Federal wages.

Denied this opportunity to vote for "half the resolution" I have studied the matter carefully and decided the pay increase for civil servants should be approved.

My reasons are as follows:

First. By voting as I did earlier this year against the congressional pay raise, by which we would have benefitted, and against a pay increase for Federal employees—including our own staffs—at the top of the Federal pay scale, I have made clear my belief that we can and should make sacrifices in the cause of fighting inflation. My vote against our own congressional pay raise was not an attempt to set an arbitrary value on the worth of the congressional service, but a means of demonstrating that we must set the example of restraint as we seek to cope with inflation that has gotten out of hand. So I opposed the congressional pay raise.

Second. On the specific issue now before us, Federal employees are no more exempt from the ravages of inflation than other Americans. For the majority of Federal workers who fit into the low and middle income levels, the current inflation of about 12 percent is causing havoc with family budgets, forcing more and more civil servants to take on second jobs to make ends meet, and posing a severe and very real burden. To deny these loyal Federal workers a 5.52-percent cost-of-living adjustment to which they are entitled would be to single out Federal employees unfairly and to ask them to make a significant sacrifice which we are not asking of other Americans faced with the same economic circumstances.

Third. The probable cost-of-living adjustment is really quite reasonable. Prices are about 12-percent ahead of where they were just a year ago, so even with this cost-of-living adjustment in Federal salaries we are still asking Federal workers to accept a real drop of about 6 percent in their income. That, after all, is a very real sacrifice, something which should not be taken lightly and which should help evidence our firm commitment to bringing inflation in check.

Fourth. Delaying this limited cost-of-

living adjustment in Federal wages would have a broader impact than many realize. A primary example is the case of coal miners, in my own State of Indiana and elsewhere, who are receiving Federal assistance under the black lung program. Disabled coal miners receive black lung benefits that are pegged to civil service pay scales, and postponing the Federal pay raise means postponing a desperately needed cost-of-living increase in disability payments to black lung afflicted coal miners. Black lung benefits are not especially generous, and with the major impact of inflation on even these minimal benefits, the beneficiaries of the black lung program in Indiana and other coal mining States desperately need the slight increment they would receive if the Federal pay raise is approved.

Fifth. The amount of money that might be saved by delaying the pay raise for 90 days, estimated by the President to be $700 million, is not a true test of our ability to reduce Federal spending. Funds for the increase were allowed for in the budget. And while I firmly agree that Federal spending must be reduced, we are making significant progress in that regard, and can do even better, if we are willing to take the funds from the areas and programs that will be least harmfully affected by reduced spending. For example, conferees have agreed to cut about $5 billion from the proposed military budget without impairing our national security one iota. Also the Senate agreed yesterday to the Labor-Health, Education, and Welfare appropriation which included amendments I offered to strike $1.3 billion from the budget for unnecessary welfare spending and for frills such as new furniture, bureaucratic travel and the like. In addition, we are yet to consider the proposed $5 billion foreign aid budget, and I am satisfied we can make very major reductions in that program. The fact is, Mr. President, there are many more responsible places to hold down Federal spending than to deny Federal employees a partial catch-up with the soaring cost-of-living.

Sixth. While some higher income Federal employees will benefit from the pay increase, the majority of the beneficiaries are the low- and middle-income workers who truly need this pay adjustment. And, in no event, will the increase go to the highest paid civil servants whose maximum salaries are already fixed by law.

Seventh. The pay adjustment is based on salaries paid in the private sector last March, before the sharpest rise in the cost-of-living and before wage and price controls expired on April 30. Since the expiration of wage and price control authority, salaries in the private sector have moved forward sharply and with the 5.52-percent adjustment Federal employees will continue to lag far behind their counterparts in the private sector.

Eighth. This is the fourth consecutive year that the executive branch has sought to postpone the statutory October 1 pay adjustment for Federal employees. Twice before the Congress overruled the President, and once the pay raise was delayed only to be subsequently ordered by the courts to be paid retroactively. It is increasingly obvious that the executive branch would like to subvert the Federal Pay Comparability Act of 1970 which was designed to provide periodic and regular adjustments in the Federal pay scale in accord with pay scales in the private sector. If the executive branch is so unwilling to abide by the law in this regard, it should seek to change the law, not to undermine it on an annual basis.

What we have here, Mr. President, is an imposing list of reasons why the pay adjustment, itself less than half of the rise in the cost-of-living in the past year, should be approved. These arguments, I am convinced, far outweigh the arguments for postponing the pay adjustment and I am therefore prepared to vote for the pending resolution to disapprove of the delay and to grant the cost-of-living increment on its properly scheduled date of October 1.

Mr. DOMINICK. Mr. President, I had planned to spend this week in the State of Colorado discussing the issues which will be foremost in the minds of the voters of my State in this fall's general elections. However, when I learned that a vote would be held today on whether to allow our Nation's 2.2 million uniformed military personnel and 1.3 million affected Federal civilian employees to receive the October 1 pay adjustment to which they are entitled, I deemed it a higher priority to return to Washington for this important vote.

I know that President Ford has acted in good faith in asking that the pay adjustment be delayed until January 1, 1975, and I am sure that politically speaking it would be far more advantageous for me to support the President's request, since there obviously are more voters who are non-Federal workers in Colorado than there are Federal employees. Despite this knowledge, I cannot in good conscience support the postponement of the pay adjustment.

Federal employees have been affected just as much as other Americans by inflation. Furthermore, their pay increases always lag behind those received by non-Federal employees. This October adjustment, for example, will bring Federal employees into equality with what private industry paid its employees last March. To make our Federal workers wait an additional 3 months for an increase is simply discrimination, and I cannot support an action that discriminates against one segment of our population.

Mr. President, earlier this year, I had the honor of being named to the new Budget Committee as its ranking Republican member. From that position, I have worked with President Ford in his series of economic summit meetings to seek a cure for inflation. If one point clearly has emerged from these summit conferences, it is that we must have a total anti-inflation program that encompasses labor and management, agriculture and industry, Federal workers and non-Federal workers alike. We must beat inflation by working together and sacrificing together—not by trying to make one segment or another bear the burden in this battle.

I hope my colleagues in the Senate will join me in approving Senate Resolution 394 which will allow the pay adjustments to Federal workers to which they are entitled.

Mr. MUSKIE. Mr. President, in the midst of historic and grave inflation, the President has presented to Congress the question of whether or not Federal employees should receive a 5.52 percent increase in pay to offset cost-of-living increases—increases which have raised prices paid by consumers by almost 12 percent in the past year. The Federal Civil Service Commission, and the Office of Management and Budget, under the provisions of existing law, have recommended this increase as reflecting comparable changes in non-Government salaries throughout the Nation. The increase would automatically take effect October 1, but for the President's request it be delayed 3 months. By approving Senate Resolution 394 the President's deferral of this increase would be disapproved, and the pay adjustment would take effect on October 1 when originally scheduled.

Mr. President, inflation has eroded the earning capacity of Federal employees just as it has for most Americans. The recommended pay increase would partially compensate Federal employees for the loss in earnings because of price increases over the past year. Consumer prices in the last year have risen more than twice as much as the recommended 5.52 percent raise—at a rate of 11.7 percent in the last 12 months. The procedures for determining the recommended Federal pay raise have set the level at only 5.52 percent because they are based on data collected 5 months ago, and so do not include a further private-sector salary increase of about 1.7 percent in the months since then. So the recommended pay raise would provide only partial compensation for the erosion of earning power caused by inflation.

The figures on Federal employees in my own State of Maine bear out the national trend. In Maine, there are about 15,000 whitecollar Federal employees and military personnel—over 6,000 military personnel, 600 National Guard technicians, and over 8,000 whitecollar Federal employees. For all employees in Maine—Federal and non-Federal—the latest figures show an annual rate of increase in weekly earnings of 8.7 percent for comparable work—enough to make up for only part of the inflation in consumer prices. But the Federal employees in our State have received no increase, yet are hit just as hard by inflation as other citizens. They deserve a modest 5.52 percent pay raise now.

Sound policy to deal with current inflation should, I believe, include restraint on Federal spending, and on inflationary wage and price increases. But wage and price restrictions should be applied on the entire economy, not just the 4 percent of the Nation's workforce affected by these Federal pay levels. In fact, if wage increases in the private sector were no higher than the 5.52 percent level, they would contribute significantly to the moderation of the cost-and-wage spiral which is a primary cause of present inflation. There is no indication that the recommended wage increase for Federal

employees would be inflationary; it could certainly not cause unnecessary consumer spending during our current recession, at a time when demand for consumer products is slack.

Finally, Mr. President, a reduction in the overall level of Federal budget outlays this year does not depend upon the $700 million savings which would be achieved by deferring the Federal pay raise 3 months. So far this year, action completed by the Congress, and measures pending before the Senate, would reduce budget outlays by about $2 billion from the latest administration estimate—and we will give careful examination to further proposals to make deeper cuts. Spending reductions can be—and are being—made without denying to Federal employees a modest pay raise which only partially compensates them for losses in earning power caused by inflation.

Mr. President, restraining inflationary wage increases, and reducing wasteful or less important Federal spending, are important goals in the fight against inflation. But deferring the modest Federal pay raise would serve neither goal well. The deferral should be disapproved.

Mr. GRAVEL. Mr. President, once again the executive branch has decided that combating inflation hinges on postponing scheduled Federal pay raises. This time—as in the past—I have joined with a number of my colleagues in cosponsoring a bipartisan resolution disapproving any delay in the scheduled pay raise for military and civilian Government workers.

These pay raises have been an ongoing process since Congress decided in 1970 that Federal employees were lagging behind workers in private industry. Regrettably, Presidential efforts to thwart that law have been an equally ongoing process, almost every year since the 1970 congressional action.

Few would deny that Government employees lag behind workers in private industry, or that public pay rates should indeed be comparable to private enterprise pay rates for the same levels of work.

As an early cosponsor of Senate Resolution 394, I want to make clear that neither I nor any of the other cosponsors of this measure oppose President Ford's efforts to halt the domestic inflationary spiral: We disagree with the means, not the ends.

Why are Government workers being singled out to bear the burden of the battle against inflation? Do our Federal employees suffer less than others from rampant inflation and the failures of past economic policies? In Alaska, where the cost of living is much higher to begin with than in the lower 48, it is especially important that our many Government employees—including military personnel—get a decent living wage.

In terms of population, Mr. President, I represent the Nation's smallest State. But this is no reason to ignore our unique needs, to dismiss our problems as alien to the rest of the country.

Like all Americans, Alaskans, too, worry about the decreasing buying power of the dollar. And like other Americans, we, too, share a strong sense of fairness.

President Ford's "nonsolution" to the problems of inflation does nothing to right the real problem: Our Government's misguided and ill-conceived policies to restore the Nation's productivity.

There is no real reason why 17,361 Federal workers in Alaska must be singled out to make the main sacrifice. It is simply unfair.

The bipartisan backing of the Senate resolution now being debated points up the nonpolitical nature of this measure. The pay raise is lawful; it is badly needed; and it deserves unanimous support.

Mr. THURMOND. Mr. President, I rise in support of President Ford's decision to defer the scheduled October pay raise for Federal employees.

The postponement of such a pay raise would result in a savings of approximately $700 million to our country. Furthermore, the delay of this pay raise would have a significant impact on our attempt to keep the national budget within the $300 billion limit for this year.

I am well aware that the deferral of this pay raise would necessitate that each Federal employee make a sacrifice; however, such a sacrifice is essential if inflation is to be curbed. By delaying the Federal pay raise, we will set an example that could and should be followed by the entire Nation. If Federal employees are to make their contribution to the effort to fight inflation, then others should also make this contribution.

Along these lines, I urge the private business and labor sectors of our country to weight their wage and price decisions with the national economy and the problems of inflation in mind. The gravity of our inflationary problems cannot be overstated.

In order to reach sound solutions to these problems, each one of us in Government, in business, and in labor will have to make a total commitment in the fight against inflation. The deferral of the scheduled pay raise for Federal employees is only one of many steps that need to be taken in our battle against inflation.

I was pleased that the Senate set the example in this matter in March of this year by voting against their own pay raise.

I urge my colleagues to support the decision of the President on this issue as it represents a positive step to curb inflation and reduce the national budget.

Mr. DOLE. Mr. President, the vote on this resolution today has been billed as the "first major test" for President Ford in winning congressional endorsement of his "anti-inflation" policies. I disagree with that analysis, however, and feel that the real test here is with each one of us.

By that I mean that every member of this body is being called upon to decide, by his vote, whether he is willing to allow one small segment of the American people to bear the burden in the fight against inflation, or whether he is going to insist that that burden be shared equally—without singling out any one group. I would certainly hope, Mr. President, that the latter feeling will prevail.

DISCRIMINATION AND FAIRNESS

Much has been said already in our discussion about the unfair discrimination that would result from a delay in implementation of the Federal employees' pay adjustment—which by law is scheduled to take place on October 1 of each year. The simple truth of the matter is, if we condone a practice of "targeting" the paychecks of Federal white collar workers and military personnel while permitting normal wage increase agreements between Government blue collar workers and post office employees—and indeed, between private industry management and unions—to take effect as made, then we are clearly being discriminatory.

If we were to make a 90-day postponement in negotiated pay arrangements apply "across the board"—to every American wage earner, I would have no hesitation whatsoever in supporting the proposal as it applies to Federal employees. But the inescapable reality of anything short of that is that would be endorsing "wage controls" for only a portion of the work force—and that to me would be a violation of the fundamental principle of "fairness."

FEDERAL SPENDING AND INFLATION

Mr. President, I firmly believe that every Senator here is committed to the cause for curbing inflation, and that most of us see reductions in Federal spending as a primary mechanism in dealing with the problem. However, those reductions should come about by "trimming unnecessary fat" off Government programs—not by cutting legitimate, modest "catch-up" adjustments for only 1.2 million civil servants and 2.2 million in the military.

What I am saying is that it is very difficult for me to rationalize the $700 million intended to be "saved" by the President's alternative plan as a genuine "anti-inflation" device. I can understand to a degree its use as a "signal to industry that the Government is willing to act on inflation," and if it were just a question of setting the example—with assurances that it would be followed—then I would say "Fine, I am all in favor." But we all know that just will not happen.

CONSISTENT TIGHTENING

I have been very consistent, I feel, in striving to "tighten the belt" of spending programs wherever feasible and equitable. Most prominent among my recent personal efforts in this regard was a very painful vote against an excessive agriculture appropriations bill—which was vetoed for that very reason and is now in the process of being reworked.

In addition, I supported a 6.3-percent reduction in the defense appropriation bill and a motion to require a 3-percent cut in the HUD appropriation. I also moved to cut the Treasury appropriation by 3.3 percent and the Public Works appropriation by 3 percent, and cosponsored efforts to reduce the Transportation figure by 3.5 percent and the Interior amount by 5 percent.

FISCAL RESPONSIBILITY

The point I am trying to make is that I am genuinely concerned about fiscal resposibility and am ready to demonstrate my dedication to that cause again and again—no matter how onerous a particular decision might be—until we finally

beat this "No. 1 domestic enemy." It is vitally important that this be done evenly, judiciously, and in a spirit of uniform sacrifice, however—or we will likely find ourselves breeding internal resentment and divisiveness, while on the road to what is supposed to be a mutual national objective.

APPEAL TO ALL AMERICANS

In his August 31 message to Congress, the President announced that he must "call on all Americans without exception to make sacrifices in order to hold down wages and prices." I enthusiastically support that appeal, and sincerely hope that it can become an affirmative manifestation of our anti-inflation goals.

The key words are "without exception," though, Mr. President, and for that reason I cannot identify with the conflicting exception which has been proposed. While I, in all sincerity, wish I could support the President on this measure which he truly feels is "right," I must search my own conscience and do what I also believe to be just.

In the best interests of all Americans, I urge my colleagues to be honest with their own sense of fairness, and join me in approving this resolution.

Mr. President, when I cosponsored this resolution as introduced by Senator STEVENS on September 5, 1974, I made a general statement which I ask unanimous consent to have printed in the RECORD.

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

SENATE RESOLUTION 394—SUBMISSION OF A RESOLUTION DISAPPROVING THE ALTERNATIVE PLAN FOR PAY ADJUSTMENTS FOR FEDERAL EMPLOYEES

(Referred to the Committee on Post Office and Civil Service.)

Mr. DOLE. Mr. President, again the subject of comparability pay adjustments for Federal employees is upon us. And again we are faced with the difficult task of deciding whether a proposed deferral of such an increase is in fact wise and just.

I have read the President's August 31, 1974, statement to the Congress in this regard, and agree wholeheartedly with his conviction that the Federal Government has a special obligation "to take those actions which begin to stop inflation." However, I am compelled to disagree that a 90-day postponent in implementing a very important salary recomputation for Federal white-collar workers is appropriate for inclusion among "those actions."

I have the greatest admiration and respect for President Ford, and feel that he deserves every commendation for his determination and initiatives to cure our Nation's economic woes. Moreover, I support him fully in that effort, and only after deep thought and careful consideration of the factors involved do I submit that the situation warrants an essential "exception"—if indeed it is one—to the established anti-inflation policy.

ANNUAL ARGUMENTS

Mr. President, since its adoption by Congress in 1970, we have heard almost annually the arguments for carrying out the provisions of the "comparability" law for Federal employees according to the designated October 1 date. These traditional defenses run generally along the lines that the pay adjustments are not really inflationary at all; that they have already been "deferred" for 6 months; and that it is unfair to single out Federal white-collar workers and military personnel.

The Senate, by an overwhelming margin of 72 to 16, agreed to those points last fall in voting to approve the "regular" effective date as scheduled by law. I supported the resolution at that time, and am again demonstrating my interest in fairness and reason on behalf of Federal employees by acting as a principal sponsor of the similar resolution being introduced today.

POPULAR STAND

It might, of course, be popular among many of my constitutents at home to take a firm and politically-expedient stand against any pay adjustment at all for Federal workers. Indeed, for a Senator from Kansas—where there are few more than just 10,000 such employees—who is seeking to maintain the confidence of his electors at the polls this November 5, it would be very easy to voice strong opposition to any salary increases whatsoever amid the "anti-inflation" clamor.

I have never chosen any course which I did not firmly believe to be "right" before, however, and do not intend to do so now. I voted against the congressional pay raises for the very reason that high-level Government officials should set the example and could, by contrast, make the sacrifices necessary to combat inflation. But that sentiment just does not apply to the great number of Federal workers who are struggling with everyone else to cope with staggering cost-of-living figures.

TRIM THE FAT

Mr. President, I consider myself as much or more committed to the cause for fiscal restraint in the battle against inflation as any Member of Congress. And to manifest this commitment, I have consistently strived to take responsible action whenever measures containing unnecessary "fat" have been before us.

Just recently, in fact, I voted against an "inflated" agriculture appropriations bill—a very anguishing decision for a representative of so many farmers and other steadfast supporters in related industries—and then followed through with votes to make across-the-board reductions, or recommit certain legislation for further study of ways to "trim the fat." But the nominal 5.5 percent "catchup" pay adjustment for Federal employees cannot, in my judgment, be equitably rationalized as part of such "fat."

SHARING THE BURDEN

Mr. President, I have no doubt that the vast majority of Government workers are more than willing to do their part to stop inflation. Many in fact have stated this publicly during "on the street" press interviews. But at the same time, they express the mutual feeling that unless everyone has to make a sacrifice, it simply is not right that only they should bear the burden.

If the U.S. blue-collar workers and postal employees were being asked to accept deferral of their pay increases, or more significantly, if unions in the private sector would agree to a similar delay in obtaining pay raises for their members, the situation would be different. We all know that that is not the case, however, and that other priorities must receive our attention instead as anti-inflation alternatives.

FOR THE GENERAL WELFARE

The President's plan for a 90-day deferral of comparability pay adjustments begins with the language:

"In consideration of the economic conditions affecting the general welfare. . . ."

It is because of that word "general" that the scheduled October 1 date should be allowed to stand, for to me that means "everyone"—including more than 3 million affected civilian and military employees.

As a member of the Post Office and Civil Service Committee who is genuinely concerned with curbing inflation through any method possible—without abandoning our basic obligations of responsibility and fairness—I strongly urge my colleagues in the Senate to act affirmatively on this resolution before the September 30 deadline. In so doing, I have every confidence that this large sector of civil servants, whom we are attempting to bring into equality with the remaining 93 percent of the American work force, will continue to do their individual parts to stem the tide of inflation and restore economic stability—"for the general welfare" of everyone.

Mr. HELMS. Mr. President, it is with great reluctance that I will vote against disapproval of the President's wage deferral plan. I believe that the Federal pay increase should be deferred because of the acute economic crisis of the Nation.

I realize that we are calling upon Federal employees, including military personnel, to sacrifice pay increases for 3 months at a time when inflation is destroying the ability of all Americans to keep up with ordinary expenses. But unfortunately, Government spending is one of the chief causes of the very inflation which is eating up the dollar. And unless we take every step we can to cut Government spending, there is no way to stop inflation.

The saving of $700 million is not a small item. We are so used to talking in billions that there is a tendency to think of $700 million as "only $700 million." Yet I dare say that $700 million is beyond the practical conception of most of us here in the Senate today. In more practical terms, $700 million over 3 months is $7.7 million every day—$5,341.88 per minute. Any time that we can save over $5,000 a minute, we ought to do so.

At the time when we are asking others to make sacrifices, it is clear that we ought to make sacrifices ourselves. I voted against the attempt to raise the salaries of Senators and Congressman and I will do it again while we are in a financial crisis. Moreover, today I am introducing a bill which reduces the salaries of Members of Congress and of the Cabinet by the same proportion as we fail to balance the budget in the non-trust fund accounts.

Nevertheless, I know that there is a substantial lack of equity in many aspects of the pay raise deferral. I am greatly concerned that the burden will fall heaviest on the personnel of the Armed Forces, the 2.2 million military uniformed personnel. I am also greatly concerned that 1.3 million civilians on the Federal payroll will have wage increases deferred, while 1.5 million other civilians on the Federal payroll will receive wage increase in the same period. These include 700,000 Postal Service employees, 600,000 wage-grade—blue collar—employees, 200,000 in miscellaneous categories.

The Postal Service employees are due for a one-time cost-of-living bonus on November 1.

The wage-grade employees have al-

ready been granted comparability raises since last October as high as 25.15 percent and averaging 9.63 percent. Many of these raises are scheduled to take effect, on a rotating basis, in October, November, December, et cetera.

Mr. President, I have the wage survey data on 137 areas which show the percentage of wage increases already granted to Federal blue-collar employees since October 1, 1973, and I ask unanimous consent that it be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. HELMS. Mr. President, this is the same period for which the so-called catchup increases for the classified service and the military are being deferred. It is not equitable for wage increases to be given in this category, but not in the other. Yet the structure of our law and pay system makes it impossible at this time to delay pay raises across the board, as should be done. Therefore, I feel that we should do as much as is possible under the present circumstances, and I will vote against disapproval of the President's deferral plan.

EXHIBIT 1

WAGE SURVEY AREAS

State and area	Date	Percent	Date	Percent	Cumulative total (percent)
Alabama:					
Anniston-Gadsden	May 1974	2.23	June 1974	8.45	10.68
Birmingham			do	17.3	17.3
Dothan	October 1973	7.00	May 1974	.9	7.9
Huntsville			June 1974	6.92	6.92
Alaska: Alaska			May 1974	3.77	3.77
Arizona:					
Northeastern Arizona	May 6, 1974	2.18	May 26, 1974	7.74	9.92
Phoenix	do	5.41	do	8.84	14.25
Tucson	do	3.66	do	9.73	13.39
Arkansas: Little Rock	October 1973	7.85	May 1974	5.61	13.46
California:					
Fresno	April 1974	5.96	do	1.68	7.64
Los Angeles	November 1973	5.60	do	.96	6.56
Sacramento	April 1974	5.51	do	1.58	7.09
Salinas-Monterey	(1)	(1)	(1)	(1)	9.7
San Bernardino-Riverside-Ontario	November 1973	5.62	May 1974	.90	6.52
San Diego	do	5.53	do	1.24	6.77
San Francisco	do	5.51	do	5.66	11.17
Santa Barbara	do	6.15	do	1.31	7.46
Stockton	April 1974	5.50	do	4.54	10.04
Colorado:					
Denver	March 1974	5.5	do	6.36	11.86
Southern and Western Colorado	do	6.514	do	1.903	8.41
Connecticut:					
New Haven	May 1974	1.5	July 1974	6.1	7.6
New London	November 1973	6.1	May 1974	0.8	6.9
Delaware: Wilmington	January 1974	6.1	do	1.8	7.9
District of Columbia: Washington, D.C.	October 1973	6.8	do	7.3	14.1
Florida:					
Cocoa Beach-Melbourne	November 1973	5.46	do	1.45	6.91
Gainesville	October 1973	4.1			4.1
Jacksonville	March 1974	6.78	do	.85	7.63
Miami	do	6.60	do	5.84	12.44
Orlando	November 1973	6.21			6.21
Panama City	do	7.00	do	.39	7.39
Pensacola	do	7.38	do	3.08	10.46
Tampa-St. Pertersburg	May 1974	2.9			2.9
Georgia:					
Albany	October 1973	7.48	do	2.30	9.78
Atlanta	May 1974	2.05	August 1974	8.46	10.51
Augusta	August 1974	8.25			8.25
Brunswick	May 1974	2.59			2.59
Columbus	October 1973	9.8	May 1974	8.4	18.2
Macon	May 1974	2.76	August 1974	7.9	10.66
Savannah	do	1.11	do	5.44	6.55
Hawaii: Hawaii	do	4.66	do	7.6	12.26
Idaho: Boise	do	10.74			10.74
Illinois:					
Champaign-Urbana	December 1973	3.52			3.52
Chicago	do	5.74	May 1974	2.74	8.48
Indiana:					
Bloomington-Bedford-Washington	do	7.04	do	5.90	12.94
Fort Wayne-Marion	October 1973	6.3	do	4.30	10.60
Indianapolis	December 1973	5.88	do	7.11	12.99
Iowa:					
Cedar Rapids-Iowa City	November 1973	5.7	do	3.5	9.2
Davenport-Rock Island-Moline	December 1973	5.50	do	2.38	7.88
Des Moines	do	6.0	do	2.6	8.6
Dubuque	do	5.65	do	10.57	16.22
Kansas:					
Topeka	January 1974	5.88	do	6.11	11.99
Wichita	do	6.32			6.32
Kentucky:					
Lexington	April 1974	4.41	June 1974	3.6	8.01
Louisville	do	5.58	May 1974	1.71	7.29
Louisiana:					
Lake Charles-Alexandria	July 1974	5.94			5.94
New Orleans	April 1974	6.84	May 1974	1.96	8.80
Shreveport	July 1974	5.2			5.2
Maine:					
Augusta	May 1974	1.2	August 1974	8.1	9.3
Central and northern Maine	do	1.43	September 1974	8.69	10.12
Portland	July 1974	6.68			6.68
Maryland:					
Baltimore	December 1973	6.56	May 1974	4.07	10.63
Hagerstown-Martinsburg-Chambersburg	March 1974	6.03	do	9.44	15.47
Massachusetts:					
Boston	November 1973	5.76	do	7.84	13.60
Central and western Massachusetts	May 1974	1.15	September 1974	6.74	7.89
Michigan:					
Detroit	March 1974	5.51	May 1974	4.05	9.56
Northwestern Michigan	October 1973	6.75	do	8.69	15.44
Oscoda-Alpena	do	5.61			5.61
Southwestern Michigan	February 1974	5.8	do	4.6	10.4
Minnesota:					
Duluth	May 1974	7.58	August 1974	9.45	17.03
Minneapolis-St. Paul	May 10, 1974	4.1	May 24, 1974	6.5	10.60

Footnotes at end of table.

WAGE SURVEY AREAS—Continued

State and area	Date	Percent	Date	Percent	Cumulative total (percent)
Mississippi:					
Biloxi	December 1973	5.35			5.35
Columbus-Aberdeen	April 1974	7.85	May 1974	0.18	8.03
Jackson	do	10.96	do	14.19	25.15
Meridian	do	7.16	do	4.51	11.67
Missouri:					
Kansas City	January 1974	5.5	do	6.376	11.87
St. Louis	do	5.5	do	3.13	8.63
Southern Missouri	do	7.38	do	6.50	13.88
Montana: Great Falls	May 1974	8.42			8.42
Nebraska: Omaha	December 1973	5.96	May 1974	1.63	7.59
Nevada:					
Las Vegas	November 1973	5.59	do	2.24	7.83
Reno	May 1974	5.65	July 1974	1.64	7.29
New Hampshire: Portsmouth	November 1973	6.27			6.27
New Mexico: Albuquerque	May 1974	2.94	June 1974	8.03	10.97
New York:					
Albany-Schenectady-Troy	March 1974	6.32	May 1974	3.67	9.99
Buffalo	do	5.8	do	4.8	10.6
Newburgh	May 1, 1974	1.58	May 26, 1974	6.0	7.58
New York	March 1974	5.18	May 1974	5.36	10.54
Northern New York	May 1974	12.48			12.48
Rochester	April 1974	5.6	May 1974	2.2	7.8
Syracuse-Utica-Rome	May 1974	11.4			11.4
North Carolina:					
Asheville	December 1973	8.4	May 1974	3.3	11.7
Central North Carolina	July 1974	8.37			8.37
Charlotte	May 1, 1974	.5	May 12, 1974	15.8	16.3
Southeastern North Carolina	March 1974	7.03	May 1974	3.87	10.9
North Dakota			do	8.65	8.65
Ohio:					
Cincinnati	March 1974	5.5	do	3.4	8.9
Cleveland	May 1974	1.84	July 1974	9.69	11.53
Columbus	March 1974	6.27	May 1974	5.93	12.20
Dayton	do	5.50	do	3.31	8.81
Oklahoma:					
Oklahoma City	October 1973	6.89			6.89
Tulsa	do	6.96	May 1974	4.22	11.18
Oregon:					
Portland	May 1974	3.31			3.31
Southwestern Oregon	do	2.5	August 1974	9.2	11.70
Pennsylvania:					
Harrisburg	March 1974	6.26	May 1974	3.43	9.69
Philadelphia	December 1973	5.57	do	4.80	10.37
Pittsburgh	November 1973	6	do	6.3	12.3
Scranton-Wilkes-Barre	October 1973	5.54			5.54
Puerto Rico		0		0	0
Rhode Island: Narragansett Bay	March 1974	5.93			5.93
South Carolina:					
Charleston	May 1974	6.05			6.05
Columbia	do	1.52	July 1974	7.2	8.72
South Dakota: Eastern South Dakota	November 1973	6.5	May 1974	3.2	9.7
Tennessee:					
Eastern Tennessee			June 1974	7.3	7.3
Memphis	April 1974	6.41	May 1974	2.09	8.5
Nashville	May 1974	13.0			13.0
Texas:					
Austin	do	8.91	August 1974	13.2	22.11
Corpus Christi	do	3.28	do	7.0	10.28
Dallas-Fort Worth	January 1974	6.47	May 1974	3.17	9.64
El Paso			June 1974	6.54	6.54
Houston-Galveston-Texas City	May 1974	1.74	August 1974	5.97	7.71
San Antonio	do	6.043			60.43
Texarkana	July 1974	7.11			7.11
Waco	August 1974	6.17			6.17
Western Texas	do	7.76			7.76
Wichita Falls, Tex.-Southwestern Oklahoma	October 1973	5.97			5.97
Utah	May 1974	8.39			8.39
Virginia:					
Norfolk-Portsmouth-Newport News-Hampton	do	2.58	July 1974	6.8	9.38
Richmond	January 1974	6.71	May 1974	3.0	9.71
Roanoke	do	8.1	do	5.1	13.2
Washington:					
Seattle-Everett-Tacoma	November 1973	5.5	do	6.3	11.8
Southeastern Washington-Eastern Oregon	September 1974	9.47			9.47
Spokane	May 1974	3.93			3.93
West Virginia	do	9.6			9.6
Wisconsin:					
Madison	October 1973	6.2	May 1974	1.3	7.5
Milwaukee	February 1974	5.7	do	2.8	8.5
Southwestern Wisconsin	May 1974	1.86	August 1974	9.9	11.76
Wyoming	March 1974	5.63	May 1974	6.61	12.24

[1] April 1974, 5.8 percent; May 1974, 1.3 percent; August 1974, 2.6 percent.

FEDERAL EMPLOYEES DESERVE FAIR COMPENSATION—SENATOR RANDOLPH SUPPORTS SENATE RESOLUTION 394

Mr. RANDOLPH. Mr. President, the Senate of the United States is considering today an issue that should never have been presented to it by the executive branch. We are being asked to disregard the clear provisions of law regarding equal pay for equal work by denying a justified pay raise to the entire 2.2 million uniformed persons in our active military forces and the 1.3 million Federal civilian employees who constitute only half of the Federal civilian work force.

In the first place, there is the issue of the law itself. It was not Congressional intent, in passing the Federal Pay Comparability Act of 1970, that the executive branch would submit alternative plans deferring the effective date of any pay increase beyond October 1 of any current year. Our purpose was to have the comparable pay increase effective on every October 1 of every year and, only in the event of a national emergency or economic conditions clearly affecting the general welfare, to have an "alternative plan," also effective on October 1.

The law was written to assure that pay increases would be given to achieve comparability and not for purely political or public relations reasons. It is misleading for any government to pretend that Federal employees are getting an annual pay increase of 5.52 percent if the effective date is delayed by 3 months. Obviously, such a delay would reduce the so-called annual 5.52 percent by one-fourth, producing an annual pay increase of only 4.14 percent.

This leads me to my second point—equity.

I am very deeply concerned that the executive branch has singled out for economic discrimination all our military

uniformed personnel, who have borne and will bear again the brunt of sacrifice. Can we expect a successful volunteer army or a disciplined army if its members feel that they are called upon to make monetary sacrifices others are not being forced to make?

The other citizens who are affected by the President's actions are the approximately 1.3 million classified general schedule employees and the 100,000 members of the Department of Medicine *and Surgery* of the Veterans' Administration and Foreign Service whose pay is linked to the general schedule. But they are only half of the Federal civilian work force.

The 500,000 Federal employees in the so-called wage grade system and 650,000 Postal Service employees are not affected.

The President justifies his "alternative plan" solely on the basis that he is concerned with inflation.

But inflation has other causes, far more serious than the pay of military and civilian employees. Let me cite just one obvious example of the complexity of these causes. In just 1 year the total payment by the Federal Government on interest charges went up $6.5 billion, rising from $22.8 billion in fiscal year 1973 to $29.3 billion in fiscal year 1974. This rapid rise in interest rates is itself the result of complex causes—among these are the sale of wheat to the Soviet Union at subsidized prices; the draughts in the Midwest affecting agriculture; the repeated devaluations of the dollar; the oil crisis and the rise in oil and gasoline prices; and the declining efficiency of the entire world economy,

I am intensely aware of the skyrocketing inflation and disruptions in the economy confronting this Nation. It has been my continuing purpose in public statements and in meetings with Members of this body and representatives of the executive branch to emphasize the urgent need for affirmative action to cope with these critical problems and to restore the confidence of citizens in their Government. My efforts will be continued through participation in the minisummit on transportation and the economic summit a week from now. However, it is clear that the President's pay proposal will not materially affect the state of the economy and it is equally clear that his proposal does not constitute affirmative action.

When the problems of inflation are so complex—when everyone else is allowed to receive compensation in an economy freed from controls, can anyone support a proposal that only our military personnel and only half of our Federal civilian work force should be denied what is due them? I cannot. It is my belief that the Senate cannot.

Because I believe the President's alternative plan is inequitable and discriminatory I shall vote in favor of Senate Resolution 394 to disapprove the alternative plan submitted on August 31. It is my hope that the Senate will approve this resolution.

Mr. KENNEDY. Mr. President, I regard it as a most unfortunate development that one of President Ford's few innovative approaches of his own to our economic crisis so far is his attempt to delay the Federal pay raise for Government workers.

I believe that any delay of this pay recommendation would be eminently unfair. Virtually all economists agree that rising wages are not the villains of today's inflation, especially not where Federal employees are concerned.

What we are voting on today, therefore, involves an issue of elementary fairness in economic policy. Economics has to go hand in hand with equity and fairness, because economics without justice is false economy. That fundamental principle applies for the benefit of Federal employees, just as it applies for the benefit of every other sector of our economy, business and labor, farmer and consumer alike.

The rate of inflation has now risen to over 10 percent a year, and a pay increase of half that amount is hardly even adequate, much less out of line. In fact, the recommendation of a 5.5 percent pay increase for Federal workers was based on a comparability survey of wage rates in the private sector. If anything, the increase is too low; other studies support a larger increase on comparability grounds alone. A fortiori, therefore, the Senate should give its overwhelming support to this resolution, opposing the deferral of the 5.5 percent pay increase. Postponement of the increase would have little effect, if any, on the problem of inflation, but delay would do an especially grave injustice to every Federal worker.

There are also other major objections to the President's pay proposal, objections that bring the credibility of his economic policy into doubt. Again and again, the President has said he does not intend to rely on price and wage controls.

He strongly opposed us in Congress last month, when we sought to give him the standby authority he might need for such controls in the future. He even opposed us when we sought to give him the power to defer price and pay increases for up to 90 days, on the grounds, he said, that such authority could be read as a harbinger of future controls to come.

So what are Federal workers to believe? What is Congress to believe? What are business and labor to believe, what are the people to believe, when one of the President's first concrete actions on the economy, after all of these denials, is to place controls on a wage increase for Federal employees for up to 90 days. That is exactly the approach he has said he does not want to take. Yet here he is, taking it today.

The action on the pay increase also raises other questions about whether the administration's economic policy is truly evenhanded between business and labor. The President let General Motors off the hook with a token 10-percent reduction in the major price increases for the 1976 model year. How then can he make Federal workers take it on the chin, by asking them to give up 25 percent of their modest wage increase?

Unfortunately, these actions on the part of the administration only serve to reinforce the idea that is widely held by many—that controls have been applied unfairly in the past and that the present administration intends to continue the old uneven policy.

We need strong new directions in policy if we are to win the war against inflation. We need vigorous and forthright leadership by the President. And the most important ingredient of such leadership is that the economic policies of the Nation must have the confidence of all the people.

Working together, we can win the fight against inflation, but divided we will fail. America's national pie is big enough for all of us to share, but only if we accept the obligation to share it fairly for benefit of all.

And so I support this resolution, because it guarantees fairness to one of the most important groups in our population—the hard-working men and women who serve the Federal Government. I urge the Senate to reject the administration's unfair and unwise move to turn their wages into cannon fodder in the war against inflation, and I urge the administration to get its policy back onto an evenhanded course.

CONSUMER PROTECTION—AGENCY FOR CONSUMER ADVOCACY

The Senate continued with the consideration of the bill (S. 707) to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants, in order to protect and serve the interests of consumers, and for other purposes.

The PRESIDING OFFICER. The hour of 12:15 now having arrived, under the previous order, the Senate will proceed to debate the motion to invoke cloture on S. 707 for one-half hour.

Mr. McGEE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. McGEE. Does that mean that the vote on the pay issue will begin at 12:45?

The PRESIDING OFFICER. The Senator is correct. The Senator from Connecticut is recognized.

Mr. RIBICOFF. I yield to the distinguished Senator from Wisconsin (Mr. PROXMIRE) 10 minutes.

Mr. PROXMIRE. Mr. President, I support S. 707 which is, of course, a bill to create an independent Agency for Consumer Advocacy to represent and advocate the interests of consumers before other Federal agencies and Federal courts, and I do so on the simple ground that this Agency will be a clear, simple, and powerful anti-inflationary weapon, one we need right now.

Mr. President, I understand that opponents of this legislation have made what to me seems to be a fantastic argument, that creation of this agency will increase inflation. Mr. President, are they kidding? How can any sane person attack an agency whose prime mission will be to fight to hold down price increases that are inflationary and that are unjustified?

The Agency for Consumer Advocacy will be the one Federal agency whose mission will be to stop many unjustified price increases. How? Here is how: It is obvious that the Agency for Consumer Advocacy will be a potent force for bringing down price of goods and services for the American consumer.

For example, take the Civil Aeronautics Board. The Civil Aeronautics Board sets airline fares.

Anybody who nas traveled on the airlines is, I think, aware of the fact that we have had enormous increases in recent years. Every time we buy a ticket and compare it to what it cost a few years ago, we are aware of that. The Civil Aeronautics Board is made up of some eminent citizens, but they are palsy-walsy, sympathetic buddies of the airlines, and for good reason. They are the people they know, that they see day after day. The CAB is lobbied constantly by the airline industry. That is the mission of the airline industry, to see that the CAB is sympathetic to them and will give the kind of rate increases the airlines like.

In the last 5 years, the CAB has rubber-stamped price increase requests by the airlines, and the cost of domestic flights has gone up as much as 50 percent. If anybody doubts that, anybody who has been in the Senate or in the House any length of time, or who has been here in Washington, have him simply compare the prices we pay now to fly home with the price of an airline ticket 10 or 15 years ago. I did that the other day and was astonished.

Are these price increases justified? As far as the consumer is concerned, it appears that these airlines, with their protected routes and markets, are making more now and doing less for their passengers.

American Airlines reported this morning that their profits are up now to the highest level they have ever been in their history. The lead story in the Wall Street Journal this morning reported that Delta Airlines in paying its principal pilots $100,000 a year.

Now, that is more than twice as much as a U.S. Senator receives.

Mr. President, one of the things that this agency can do is zero in publicly, emphatically, on increases of this kind in airline fares, challenging cost increases of the kind I just cited as far as pilots are concerned, and other cost increases and get some results.

The Federal Power Commission sets the price of natural gas. That is a vital energy source for millions of consumers and for millions of businesses. Natural gas prices have risen at an alarming rate in the past year. The agency is under extreme pressure from producers to raise prices still farther, or even to take the lid off altogether.

Furthermore, it has been a matter of concern to me for some time that the Commission membership is heavily weighted with industry representatives. I remember standing on the floor of the Senate some 13 years ago and fighting an appointment by President Kennedy of an oil lobbyist to the FPC. My fight was unsuccessful. He was appointed anyway.

The way the FPC has operated so much in the past, it is clear that they are very friendly, supportive, sympathetic, and understanding as far as industry is concerned.

Well, that is all right if they get the consumer viewpoint, too, but they do not get the other viewpoint now, and the purpose of the Consumer Advocacy Agency that the bill would provide would be to see that they get that viewpoint, that the whole record is before them and before the public, and they get some kind of public pressure to counteract the intensive, day-after-day, enormous, well-organized, heavily financed industry pressure that they frequently get on the side of raising prices.

We need the same kind of representation before the Federal Communications Commission, which sets telephone rates, before the ICC, which sets freight rates that add to the cost of food and other goods, and before a host of other Federal agencies which influence the prices paid by all of us as consumers, whether we are aware of this or not.

One of the points made at one of the first summit conferences held at the White House was the point made by witness after witness that if the Government would do its job, a good part of this inflationary problem would be solved. A part of that job is to see that excessive, unjustified price increases under regulated industries are not approved, but they are approved. Why? Because we have no adequate regulatory procedure. The point that the consumers are being exploited simply is not made, and that is what this agency would do.

Who can doubt that an Agency for Consumer Advocacy, monitoring the actions of Federal agencies and stepping in to challenge actions taken or contemplated, will be a powerful force for fighting inflation? Look at what might have been done to help the hard-hit consumer in the past couple of years, if this agency had only existed then.

Take the Russian wheat deal. What if an ACA had been bird-dogging the Agriculture Department in July of 1972, when USDA agreed to subsidize the export of 25 percent of the U.S. wheat crop to the Soviet Union? What were the results of the wheat deal? The price of wheat on the domestic market rose from $1.34 to $5 a year later.

As a result of that, we not only had higher bread prices, but much higher meat prices, because, of course, wheat is substitutable for corn and soybeans, and all of them constitute feed grains. If anyone wonders what happens to the price of meat when the price of feed grain goes up, all he has to do is follow agricultural economics for a few days, and he can see it. If the price of wheat goes up, the price of meat is certain to follow, and it did, inexorably. The price of beef, pork, poultry and dairy products rose as well, due to higher feed grain costs, as a result of the Russian wheat deal in part—a deal that was not challenged, was not visible to the public, was not visible to Congress, and was not generally apparent. This is the kind of agency that can make it visible.

Consumers paid and paid and paid—37 percent more for hamburger by August 1973, 37 percent more for chicken, 35 percent more for eggs, and 15 percent more for flour. The repercussions of the wheat deal are still resounding throughout our economy.

We cannot afford the risk of another wheat deal. We cannot afford to let the consumer remain voiceless and powerless in the face of dealings of large companies aided by sympathetic Federal agencies. We cannot afford to let inflation run rampant.

There are numerous other examples. Many of the decisions of the Cost of Living Council—the agency specifically entrusted with the task of keeping prices down—reflected the interests of producers rather than the interests of the consuming public. For example, in December 1973, the CLC announced a price rise on old crude oil of $1 per barrel, flying in the face of normal procedures and contrary recommendations—wholly unjustified and not challenged.

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

Mr. PROXMIRE. Mr. President, will the Senator from Connecticut yield me an additional 2 minutes?

Mr. RIBICOFF. I yield the Senator 5 additional minutes.

Mr. PROXMIRE. Mr. President, I have asked the head of the Federal Energy Agency again and again to justify that, and he admits that this is one increase he cannot justify on the basis of cost. We have had very serious inflation in this country because the cost of energy enters into everything. But here is an increase, a big one and a comprehensive one, which can be justified in no way. They did not have that cost increase at all, but they have had a tremendous increase in profits because of it. This one abrupt and arbitrary decision by the Cost of Living Council cost each consumer between $12 and $14 a year. Had the ACA been in existence then, it would have both challenged the substance of the Council's decision and also required it to conduct decisionmaking process according to procedures set down in law.

Mr. President, one other point I would like to make is that this morning a very fine article by Hobart Rowen, the excellent economic commentator of the Washington Post, discussed the prospect of our selling airplanes, a number of them, to the NATO countries, and pointed out that we are in competition with the French in that area.

It may be, of course, that a strong argument can be made that we should fight hard to get that contract. At the same time, a strong argument can be made on the other side. One aspect of the argument that even Hobart Rowen, excellent analyst though he is, did not consider is the inflationary aspect of this transaction.

He pointed out that we would sell $10 billion to $15 billion worth of airplanes, if the deal goes through, in the Middle East and Europe. If we sell $10 billion to $15 billion worth of airplanes to Europe and the Middle East, it would have an inflationary effect, and there is no way to avoid it. Take the steel industry, which

claims we will have a shortage of its products for the next 5 years. They have increased their prices 44 percent in the last year—the first time in history they have increased their prices more than 22 percent in 1 year.

Obviously, if we are going to sell arms all over the world—maybe we should and maybe we should not, but one point that has not been made before, has not been made publicly or documented, or made before a public agency—it should be made before the Defense Department, and the public ought to know about it—is the effect of that $10 billion to $15 billion sale, if we make it, on prices here at home.

This is the kind of investigation that a consumer advocacy agency could make.

Mr. President, I think the case is clear. We need this Agency and we need it now. In the fight against inflation, the consumer—indeed the economy as a whole—needs all the help he can get. The Agency for Consumer Advocacy will be a major force in the fight against inflation. I think very few people here have considered that fact, but it is a fact, and a very important one, too.

Mr. President, I yield the floor.

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

Mr. PROXMIRE. I am happy to yield to the distinguished Senator from Connecticut.

Mr. RIBICOFF. The Senator from Wisconsin may recall that a few years back, the Antitrust Subcommittee, chaired by our distinguished colleague from Michigan (Mr. HART), made an extensive study of business practices. As a result of this study, Senator HART came to the conclusion that the consumers of this country were losing billions of dollars a year because of fraud, overcharges, price gouging, anticompetitive practices, and shoddy merchandise. Money that is spent without value received certainly flames the inflationary fires that much higher. Is that not correct?

Mr. PROXMIRE. There is no question but that that is the most inflationary kind of action, without value received; yes, indeed.

Mr. RIBICOFF. As I listened to the distinguished Senator from Wisconsin, the greatest expert, I believe, on the problem of economics in this whole body, there was no question in my mind but that the issue of inflation is the key issue facing the country today. The Senator from Wisconsin has very capably pointed out that if this bill becomes law, the consumer advocate will be in a position to have billions of dollars for the consumers. The Agency will thus help dampen down the inflationary pressures we have in this country.

I commend the Senator from Wisconsin for his contribution to this debate.

Mr. PROXMIRE. I thank the Senator.

Mr. ERVIN. Mr. President, I ask unanimous consent that all amendments which have been introduced prior to the vote on cloture be considered as read for purposes of satisfying the requirement of rule XXII.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ERVIN. Mr. President, in view of the fact that we do not—whether the ultimate vote will be on the original version of S. 707 or on the so-called substitute, the Dole-Ribicoff substitute—I ask unanimous consent that anyone who has an amendment to either the original bill or the substitute be allowed to adapt it so as to conform it to the proper sections of the other.

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

Mr. ERVIN. Mr. President, if the consumer advocacy bill had been in existence when the writer of the Book of Ecclesiastes wrote that book he would have had to omit from it the statement that there is nothing new under the Sun. There is certainly something new under the Sun in the pending legislation. It is the first legislation in the history of this Nation of which I am aware where an administrator is the one who determines whether the court has jurisdiction to review, to grant judicial review. Under all other statutes of the United States it is the court which determines whether it has jurisdiction to grant judicial review.

This bill, in effect, says that the court will have jurisdiction where review is permitted under any circumstances of appeal from an agency ruling by the administrator if the administrator determines—not the court but the administrator determines—that the interests of a consumer are substantially affected.

Now, in view of the all-inclusive, universal, unlimited definition of what constitutes consumer interests, anything could be a consumer interest and substantially affected in the opinion of the administrator, and the court would not be able to review even though the court did not agree with the administrator at all.

Since consumer interest involves anything that a consumer has any concern about, except his spiritual welfare in the next world, why, the Consumer Advocate Administrator has got great power that confers jurisdiction upon the courts. I am not certain that the Consumer Advocate Administrator does not have much to do with the spiritual welfare of the average consumer in the next world because most consumers get their ideas about religious matters from holy books, and the Consumer Advocate Administrator could have very much to say about what the cost of those religious books is going to be.

So he has got more jurisdiction than any official in the United States has ever been entrusted with, and this bill gives him authority which would make an absolute Eastern potentate turn green with envy.

This bill, as I pointed out previously, is repugnant to the free enterprise system. There is really nothing but a conjured up necessity for this bill because, as Ralph Waldo Emerson said:

> If a man makes a better mousetrap, the world will beat a path to his door even if he lives in the midst of the forest.

The law of economics is that those producers of goods and services who produce the best goods or render the best services are the people who get the patronage of consumers. So we have a competitive free market which, in effect, guarantees to Americans the best quality of goods and the best quality of services to be found in any nation on earth because we do have a competitive free market.

Here we have one official who not only prescribes the jurisdiction of the court, but he can interject himself into practically every agency of Government.

He can even interject himself into the affairs of the Department of Defense when it undertakes to devise a new weapons system. There is no limit on his authority to throw monkey wrenches into governmental machinery.

Also he can ride herd on virtually all of the producers of America. Not only that, this bill gives him the power to issue any statement he sees fit to issue concerning a business, any business, in the United States, concerning the quality and the utility of any product offered to the public in the United States, and any services offered to the public. Yet this bill, in effect, grants him a total immunity from responsibility for the injury which is done by any false statement he makes. That ought not to be. If Congress is going to set up an agency and give a man authority to speak about all goods and all services on the market, then Congress ought to take and give those who are injured by his false statements some recompense.

I propose, if cloture is voted, to offer an amendment to that effect.

Mr. President, this is a bill which ought to be studied more than it has been studied. The average American, and especially the average newspaperman who comments on this bill favorably, the average commentator, I would bet my bottom dollar has never read the bill, and does not have any idea of the provisions of the bill or its implications insofar as it relates to the free enterprise system which has made this country the greatest Nation on earth.

I have noticed since I have been in the Congress that the worst bills have the best titles and, unfortunately, many people who are engaged in carrying on the work of the news media never read anything except the title. Sometimes, I suspect—although I would not charge this because it might be a violation of the Senate rules, and I certainly want to abide by the Senate rules—but I suspect sometimes many Congressmen have not read the bills and do not know what is in them.

This, in my judgment, is about the most unnecessary piece of legislation. It is based upon a total misconception of the free enterprise system. It is based upon the theory that all producers of goods and services sit up all night to think of new ways to cheat and defraud the customers on whose good will they depend for their prosperity.

It proceeds upon the theory that every consumer is somewhat lacking in mental capacity to look after himself and needs to be put under bureaucratic guardianship. It proceeds upon the theory that the big trouble in this country today is that we have too much Federal bureaucracy, and I agree with that proposition. But the way it proposes to deal with this matter is to cure the ills of Federal bureaucracy by adding another Federal

agency, and if that Federal agency exercises one-half of 1 percent of the power which this bill gives to the Administrator, we will have another agency that will be about twice the size of the present Department of Justice. I say that because the present Department of Justice operates in a restricted field compared to the field in which this Administrator would operate. The Department of Justice deals with a few civil lawsuits and some criminal prosecutions and some investigations. But this Administrator can investigate everybody in the United States who produces goods or services.

They can interfere in all Federal agencies, they can make pronouncements about everybody's business in this Nation, and I think that no human being has yet been created that could exercise the power that this bill gives to the Administrator with any degree of wisdom.

So I hope that the bill will be defeated if it comes to a vote and that cloture will be defeated and not have any gag rule imposed on those of us who wish to spend the time that is necessary to point out the infinite number of legislative and economic inequities which are shrouded in both this original bill and the proposed substitute for it.

I yield the floor.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider the nomination of Frank C. Carlucci, of Pennsylvania.

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

DEPARTMENT OF STATE

The legislative clerk proceeded to read the nomination of Frank C. Carlucci, of Pennsylvania, to be a career minister.

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

Mr. MANSFIELD. Mr. President, I request that the President be notified.

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

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I request that the Senate return to legislative session.

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

MESSAGES FROM THE PRESIDENT

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

REPORT ON U.S. PARTICIPATION IN THE UNITED NATIONS—MESSAGE FROM THE PRESIDENT

The PRESIDING OFFICER laid before the Senate a message from the President of the United States transmitting the 28th annual report on U.S. participation in the work of the United Nations, which, with the accompanying report, was referred to the Committee on Foreign Relations and ordered to be printed. The message is as follows:

To the Congress of the United States:

I am pleased to send to the Congress the 28th annual report on United States participation in the work of the United Nations.

This report, covering Calendar Year 1973, encompasses the wide range of activities carried on by the United Nations and its subsidiary organizations. It demonstrates the growing conviction of United Nations members that many problems of international concern are best resolved through multilateral action, utilizing the machinery of mature international institutions.

In the fall of 1973 the United Nations demonstrated once again its ability to foster peace by the crucial role it played in the Middle East. Following the outbreak of war, the Security Council arranged a ceasefire and deployed United Nations troops to supervise disengagement agreements between Israel and Egypt and, later, between Israel and Syria. We cannot know what might have happened in the absence of such United Nations action. However, it is clear that the efforts of the United Nations, combined with bilateral diplomacy, are still crucial to promoting a just and lasting settlement of the Middle East dispute.

One area of increasing concern is the production and distribution of adequate supplies of food. Our concern with feeding the world can no longer be limited to relief activities in aid of victims of natural disasters. Population growth and better living standards have increased the total demand for food which in turn has increased the demand for energy sources and fertilizer. The pressure of these interlocking demands has pushed against limited supplies and caused spiraling prices. This is a worldwide problem requiring worldwide action for its solution. Secretary Kissinger proposed to the United Nations General Assembly in September 1973 that the organization sponsor a World Food Conference. The General Assembly acted favorably on this proposal and the Conference will be held in Rome in November 1974. The United States also took an active participation in the preparation for the first United Nations Conference on World Population, convened in Bucharest in August 1974.

The Third United Nations Conference on the Law of the Sea, which convened an organizational session in December 1973, is another example of how the United Nations can be utilized to attack contemporary world problems. The goal of the Law of the Sea Conference is a comprehensive international convention to govern man's use of the oceans. We need new understandings to govern international navigation, rational management of the ocean's living and non-living resources, and the protection of the life-sustaining processes of the marine environment. Success in the efforts to resolve conflicting claims over ocean jurisdiction would remove a major and growing source of conflict from the international arena.

The regular economic and social activities of the United Nations' family of organizations continued to absorb over 90 percent of its funds and personnel during 1973. In addition to the traditional operational programs, many special conferences during the year provided opportunities for nations to enlarge their understanding of and work toward consensus on such major international economic and social issues as development assistance, the role of multinational corporations, commodity agreements, and the economic rights and duties of states. Perhaps the most important series of negotiations were those held to carry out the first biennial review and appraisal of the progress toward the goals of the Second United Nations Development Decade. In these negotiations delegations from all parts of the world worked for months to formulate a report that refined the broad measures necessary to improve the world's economic and social situation. The United States played a leading role in these negotiations.

Unfortunately, not all international problems dealt with by the United Nations were successfully approached in 1973. For example, it is generally believed in the United States that terrorism against innocent third parties, including the hijacking of aircraft, is a matter of international concern that calls for international solutions. The divergence of political views among member states, however, has made it impossible to agree on either a general definition of terrorism or a remedy for it. Despite the limit thus placed on the effectiveness of the United Nations forum in dealing with the problem, a start was made in 1973 with the adoption by the General Assembly of the Convention on the Prevention and Punishment of Crimes Against Internationally Protected Persons, Including Diplomatic Agents. On the other hand, neither the International Conference on Air Law nor the Assembly of the International Civil Aviation Organization, which met simultaneously, made progress on measures to improve security for aircraft passengers.

An important part of the United Nations record in 1973 was the admission to membership of the Federal Republic of Germany, the German Democratic Republic, and The Bahamas—admissions the United States supported. The United Nations has thus become still more representative of the world community.

Our participation in the United Nations reflects our fundamental belief that to assure a peaceful world it is necessary to cooperate with other nations in a multilateral framework on mutually agreed upon activities. This report records the successes and failures, the hopes and frustrations of many of those activities. Above all it records what we tried to accomplish through the United Nations to further the many interests that our citizens and our country share with the world community.

GERALD R. FORD.

THE WHITE HOUSE, *September 19, 1974.*

REPORT OF THE FEDERAL PREVAILING RATE ADVISORY COMMITTEE—MESSAGE FROM THE PRESIDENT

The PRESIDING OFFICER laid before the Senate a message from the President of the United States transmitting the annual report of the Federal Prevailing Rate Advisory Committee, which, with the accompanying report, was referred to the Committee on Post Office and Civil Service. The message is as follows:

To the Congress of the United States:

In accordance with section 5347(e) of title 5 of the United States Code, I hereby transmit to you the Annual Report of the Federal Prevailing Rate Advisory Committee covering the period December 7, 1972 through December 31, 1973.

GERALD R. FORD.

THE WHITE HOUSE, *September 19, 1974.*

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, September 19, 1974, he presented to the President of the United States the following enrolled bills:

S. 210. An act to authorize the establishment of the Boston National Historical Park in the Commonwealth of Massachusetts; and

S. 3301. An act to amend the act of October 27, 1972 (Public Law 92-578).

CONSUMER PROTECTION—AGENCY FOR CONSUMER ADVOCACY

The Senate continued with the consideration of the bill (S. 707) to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants, in order to protect and serve the interests of consumers, and for other purposes.

The PRESIDING OFFICER. Who yields time?

Mr. ALLEN. I yield such time as I may require within the confines of the time allocated to us.

Mr. President, I think that the time allocation on this debate indicates the cooperation that the opponents of this bill have given to the leadership in the matter of scheduling legislation.

This is the first opportunity that we have had in 1 month to debate the merits or demerits of this legislation.

The debate has not caused any logjam in the Senate. Even today, when some debate has been agreed upon, we have had to take three separate segments in order to have an opportunity to discuss this measure and to point out why we feel the debate should not be brought to a close.

Mr. President, last week the Baltimore Sun asked the distinguished Senator from Connecticut (Mr. RIBICOFF) and myself to write short articles in behalf of our position with respect to the bill under consideration and in the few minutes remaining to me in this segment of our time, I will comment from the article which I wrote.

I will ask unanimous consent that both my article and Senator RIBICOFF's article be inserted in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. ALLEN. Mr. President, the article states:

The bill to create an Agency for Consumer Advocacy now undergoing debate in the Senate is a product of myth, mistake and mischief.

Contrary to popular belief, this is not a consumer protection bill. The agency to be created by this proposal, as its sponsors admit, would have no regulatory authority to protect consumers from dangers in the marketplace. It would have to rely on existing federal agencies to do this.

In fact, the new agency would have no authority to protect anyone but itself, and it has no power to enter into the areas in greatest need of consumer protection efforts—the pursuit of swindlers and scoundrels who operate at the state and local levels.

Recognizing that it would be fraudulent to continue to call this proposed new bureaucracy a "Consumer Protection Agency," the Senate by an overwhelming majority of 87-5 adopted an amendment by Senator Robert Byrd and myself to change the name of the proposed unit to the "Agency for Consumer Advocacy."

That is only one of many amendments which are necessary to make this ACA bill worthy of enactment, but its real problem lies in the fact that the underlying theory is fundamentally faulty.

We are asked to believe that existing federal agencies are incapable of protecting consumers because not enough consumers appear before them or because those agencies are headed by incompetents or malfeasants.

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

EXHIBIT 1

CONSUMER AGENCY: BOON OR BOONDOGGLE?

(By ABRAHAM RIBICOFF)

None of the new movements that has grown up over the past decade is as potentially powerful—yet so powerless—as the consumer movement.

Together we represent the single largest interest in the country—bigger than business, labor, and government combined. But the trouble is, the buying public has no real voice in the high levels of government where so many consumer decisions are reached.

Today there is a pathetic imbalance in the halls and hearing rooms of government.

Faced with the question of raising the price of air fares or telephone calls, or approving a new drug or appliance—any regulatory agency is assaulted by special economic interests.

Their lawyers are extremely adept at getting next to the bureaucrats who will ultimately set federal standards. To no one's surprise, they outnumber anyone speaking up for the consumer 100 to 1.

No decision-maker, no matter how honest and competent, can be expected to take full and accurate account of consumer interests if their views are not presented to them, and presented in an effective manner.

I would like to see that imbalance corrected with a new agency that belongs to the consumer. After all, we already have an Agriculture Department for the farmers. We have a Labor Department for labor. We have the Commerce Department for business. But we have nothing for the consumer.

Since July 19 the Senate has been considering a bill that Ralph Nader called the most important piece of consumer legislation ever before Congress.

The bill establishes an independent, nonregulatory consumer protection agency to bring the consumer's voice into the federal agencies and courts which make daily decisions affecting the quality and safety of what we buy.

The bill represents a new concept of government. It will not be just another large government agency. It will not dictate to people, or ignore their wishes. With no regulatory powers of its own, its role will be to bring the consumers in this country and the large, and too often unwieldy, federal government closer together. It will make the federal government more responsive, not less. It will help restore the public's faith in the integrity of the governmental process.

Yet the most powerful business lobbies in the country are out to stop the consumer from reaching Washington.

The fact is, that a consumer protection agency will be good for business.

A strong agency will be a shield for good businessmen selling quality goods and services—and a watchdog against fly-by-night operators out to cheat the unwary buyer.

If anything, the bill gives the consumer the confidence to buy what good business is selling. A growing number of major companies have spoken out in favor of this bill because they realize it would be good for their businesses.

The new agency will number 250 men and women with an annual budget of $15 million—about the same as after-taxes profits that GM makes every four days.

Twice before we fought for this bill—and twice we were shut out. And this year again an overwhelming majority in the Senate wants to pass a consumer protection bill. But a majority today in the Senate is often not enough to get a bill passed. And once again we confront a filibuster—the parliamentary device for minority rule. A few men are holding up the overriding will of the Senate and the protection of millions of powerless consumers.

So far we have tried three times to gain the necessary two-thirds vote to kill the filibuster, and each time we come a little closer.

This Thursday we will make the fourth and final attempt to break the filibuster and bring the bill to the Senate floor for a vote.

I believe more than ever that an independent consumer agency is perhaps the most critical undertaking by Congress to promote faith of Americans in "government for the people."

And I also believe that enough of my colleagues realize this and will join in defeating the filibuster and defeating, as well, those who want to keep the consumer forever gagged.

AGAINST

(By James Allen)

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This is only one of many amendments which are necessary to make this ACA bill worthy of enactment, but its real problem

lies in the fact that the underlying theory is fundamentally faulty.

We are asked to believe that existing federal agencies are incapable of protecting consumers because not enough consumers appear before them or because those agencies are headed by incompetents or malfeasants.

Yet, instead of devising ways for more consumers to appear before these agencies and instead of using congressional oversight to weed out incompetents and malfeasants, what are we offered as a solution?

We are told we must create yet another federal agency before which consumers also are not expected to appear in any significant number, headed by unknown bureaucrats who will be no better or worse than existing officials.

What will a new level of bureaucracy do, besides providing a full employment act for lawyers who are already appearing before federal agencies and courts? It will determine, in its absolute discretion, what is best for consumers in relation to any possible federal decisionmaking and use extraordinary advocacy powers to make sure that its position prevails as that of the federal government.

The ACA bill does not tell us how the new agency will determine what is or is not in the best interest of consumers, but the bill does tell us that, once the ACA makes such a determination, it is not challengeable in court or elsewhere by anyone, including consumers themselves.

Thus, if the ACA tells us that abortions are or are not in the best interest of consumers of medical services, or that ignition-seat belt interlocks are or are not in the best interest of consumers of automobiles, or that trade with the Arab nations is or is not in the best interest of the consumer of fuel—so be it; the consumer expert has spoken and may take any other Federal agency with a contrary view to court.

Although the bill does not protect consumers from the new ACA, it does protect certain vested interests. The sponsors of the bill have excluded from ACA intrusion and court appeal all labor disputes.

I share big labor's fear of this new agency. But if labor lobbyists can convince the dedicated and intelligent proponents of this bill that there is no important consumer interest in such things as the settlement of strikes—how are we to have faith in an untried new bureaucracy's ability to determine what is in the best interest of consumers in the remaining sectors of the economy?

Let me conclude these necessarily brief comments on this complex subject by making one final observation. Opposition to this particular bill should not in any way be considered as a negative attitude toward consumer protection.

Many opponents of this ACA bill, including myself, have not had the slightest hesitancy to actively support true consumer protection legislation, as we did recently for the bill to enact the present Consumer Product Safety Commission.

AGRICULTURE AND THE AGENCY FOR CONSUMER ADVOCACY

Mr. CLARK. Mr. President, in today's economy, the small farmer, no less than the urban consumer, faces a multitude of hazards and injustices in the marketplace as he shops for himself and his family. To the extent that the Agency for Consumer Advocacy can advocate governmental policies which will make products and services used by most Americans safer and more cost-effective, the farmer and his family will benefit along with everyone else. ACA would be authorized to speak on behalf of "consumers"—individuals who use, purchase, or acquire goods, services, or credit for personal, family, or household purposes. ACA can thus speak for farmers as consumers of clothing and household goods, and as consumers of farm equipment, fertilizer, seed, and other farm production products and services needed to raise commodities.

ACA would also speak for farmers when it speaks for food consumers, advocating their interest in a safe, abundant food supply at a fair price. To the extent that farmers have been forced to raise their prices because they are themselves faced with outrageous, oligopolistic costs in the marketplace, the farmers' interest in bringing these costs down to reasonable levels is identical with that of food consumers. To the extent that farmers have been squeezed by avoidable fertilizer and baling wire shortages, their interest in avoiding such shortages is identical with that of other food consumers. And to the extent that farmers have been blamed for price increases in reality caused by "middlemen," the farmers' interest in reining in the middleman is identical with that of other food consumers.

Farmers, no less than consumers, need this voice to carry their case to the decisionmakers in our Government—a voice backed by the power to get information necessary to prepare a cogent case and by the power to participate as a full party in proceedings affecting them. Too often the agencies which should bear the responsibility for promoting the farmers' welfare have failed to do so, as interests counter to those of the small farmer have influenced policies so as to harm rather than help him. In many of these instances, the food consumer has suffered along with food producers, because neither had the opportunity or the ability to present a cogent case to the decisionmakers whose policies impinge so directly upon them.

A few examples illustrate this point all too well:

Farmers, and other residents of rural areas, have suffered greatly from the recent doubling and tripling of propane gas prices. Propane gas is an indispensable commodity in rural America where it is used not only for home heating but for farm production as well. Propane is used to dry grain crops, to heat facilities where young chicks are raised, and to drive the irrigation pumps so essential during this period of severe drought in the Midwest. Bill Brier, Director of Energy Resources for the National Council of Farmer Cooperatives, testified at a July 24, 1974, hearing of the Senate Agriculture Committee that:

> Agriculture's needs are expected to increase significantly—much more propane is being used for irrigation this year and the late maturity of particularly corn will increase the probable need for crop drying.

On February 6, 1974, representatives from the governments of Alabama, Arkansas, Georgia, Illinois, North Carolina, and Texas met with officials of the Federal Energy Office to protest the high price of propane gas. Farmers and others in these States were suffering—as they continue to suffer today—from these high costs. John Weber, Assistant Administrator for Operations, Regulations and Compliance of the Federal Energy Administration, recently testified before a subcommittee of the House Government Operations Committee that FEA's investigations of propane pricing policies have revealed "an aggregate in excess of $25 million in overcharges to the public."

The pricing policies of FEO permitted the price of propane gas to rise as much as 350 percent in 1973. The wholesale price rose from 6 cents to 26 cents per gallon, while the retail price skyrocketed to 39 cents per gallon. Congressman HAMMERSCHMIDT estimated on the House floor that as many as 21,200 farm famililes in Arkansas were spending about 30 percent of their income to meet the propane costs necessary for heating, cooking, and agricultural production.

Those who favored a reduction in propane prices argued that because propane is refined from only 3 percent of crude oil, its price should reflect only the increase in the cost of producing propane—not the increase in the cost of the whole barrel of crude. FEO responded in a half-hearted way by promulgating new regulations which put a lid on propane prices, but they allowed the producers to keep the windfall profits already received and refused to roll back prices to a level which would reflect actual increases in production costs. Congress responded with the Alexander amendment to the Federal Energy Administration Act, stating that the price of propane on May 15, 1973, should be used as the base price, with increases to reflect only actual increases in production costs.

Today FEA insists that this statutory language is merely discretionary and it has chosen not to implement this policy. In response, a suit has been filed by the attorney general from Arkansas.

Had there been an ACA during this period, it could have helped farmers and rural families in their struggle for relief from these high prices. Speaking for rural consumers of propane for home heating and for food consumers threatened by further price increases, ACA could have petitioned FEO to change its early pricing policies much sooner than it chose to act. When FEO adopted its "put the lid on" policy, ACA could have submitted its views strenuously objecting to the windfall profits enjoyed by the propane producers.

Had this decision been taken in any case, ACA could have sued for judicial review. In the latest phase, ASA could petition FEA to implement the Alexander amendment and, meeting with a refusal, could seek review of this refusal as arbitrary and capricious.

Another example is food prices, for which farmers undeservedly have taken so much of the blame.

In April 1972, Weldon Barton of the National Farmers Union testified about food prices before the Price Commission. He attacked the Commission's volatile pricing rule under which food processors were allowed to pass on to their buyers any market price increases of their raw materials, including farm products. The Commission allowed such passthrough if processors could show that they customarily priced items in a manner immediately responsive to frequent and custom-

ary market price fluctuations of the raw materials used in that item.

Dr. Barton argued that statistical evidence indicated that food processors failed to qualify under the volatile pricing rule because they had not over the years responded to decreases in the cost of livestock and other farm products by decreasing their own prices proportionately. When NFU requested the substantiating data submitted by the major processors, the Commission said that the information was classified and unavailable to the public. Effective advocacy is simply not possible without access to crucial information.

Had there been an ACA to speak for food consumers, this spokesman would have been armed with the facts and figures necessary to refute the processors' arguments. Farmers and consumers both would have been well-served by an advocate pushing for a response to Dr. Barton's agonized question:

> Why has your Price Commission not been more aggressive and effective in getting at these "middlemen" between the farmers and the consumer, whose administered-pricing patterns are the real culprit behind the marked food price increase?

Today the middlemen continue to reap their profits at the expense of both farmers and consumers. As farm prices have dropped in recent months, grocery store prices have continued to rise. According to Department of Agriculture figures, the middlemen—processors and distributors—have absorbed two-thirds of the increase in food prices over last year.

ACA could be an active advocate, urging the FTC to investigate possible violations of the volatile pricing rules where processors have failed to lower their prices as farm prices have dropped. ACA could also urge FTC and Justice Department to look into overconcentration in food processing and marketing business—overconcentration which has harmed consumers and farmers alike. Is there any wonder why the Grocery Manufacturers of America and the National Association of Food Chains have been among the most vigorous opponents of legislation to create a consumer advocate in the Federal Government?

The fertilizer shortage is still another example.

Fertilizer is, of course, an essential commodity for food production. The farmers' inability to obtain fertilizer earlier this year resulted in a serious problem both for consumers and farmers.

Early this spring, many farmers received letters from their fertilizer dealers explaining that, because of a continuing nationwide shortage, farmers would not be able to purchase all the fertilizer they wanted for the upcoming growing season. Dealers in most cases limited old customers to what they had purchased last year or to a reduced percentage of that amount. New customers were turned away. Thus many farmers found that their plans for a large planting and a bumper crop had to be strictly curtailed.

Manufacturers had been unable to produce enough fertilizer to meet demand in part because of the energy crisis. The Federal Power Commission's rules allowed pipelines to suspend service to some fertilizer producers, interruptions which have reduced production by over 500,000 tons in the last 2 years. More recently, FPC decided to allow higher natural gas prices at the wellhead, a decision which has led to higher costs for fertilizer. Here again, the consumers' interests and the farmers' interest in lower prices and more equitable distribution of gas supplies are the same. ACA could have been their advocate before the FPC.

Because about 60 percent of fertilizer materials move by rail, availability of boxcars is crucial for an uninterrupted supply. As the nationwide shortage of railroad cars developed, ACA could have gone to ICC on behalf of consumers and farmers dependent upon fertilizer for production of food supplies to stress the importance of timely fertilizer deliveries. Shortages of railroad cars have plagued the fertilizer industry. For instance, in 1973, ICC had to take special action in Florida to insure that manufactured fertilizer would be moved to a nationwide market. ACA would be in a position to anticipate future car shortages and, when necessary, petition ICC to employ its emergency powers.

The small farmer has also been ill-served by the Department of Agriculture's tendency to promote technology adapted to the needs of agribusiness but irrelevant to the needs of the smaller farmer. ACA's functions include a mandate to "encourage the application and use of new technology, including patents and inventions, for the promotion and protection of the interests of consumers"—section 6(a). In the interest of a more abundant, reasonably priced food supply, ACA could encourage research into technological advances specifically directed at the needs of the smaller farmer both under its own auspices and by petitioning the Department of Agriculture to take similar action.

ACA could also petition the Department of Agriculture to undertake educational programs designed specifically for small farmers. Small farmers could be informed, for example, about new methods for making use of manure as a cheaper method for fertilizing in these times of exorbitant artificial fertilizer costs. Similarly, ACA could petition the Department of Agriculture to educate farmers about new methods for measuring infestation so that farmers can make more economical, more sparing use of pesticides and other chemicals.

Clearly, the Agency for Consumer Advocacy would serve our farmers well, both as consumers and as food producers. In these times of inflation and economic hardship, our farmers need a consumer spokesman in Washington, D.C.

Mr. KENNEDY. Mr. President, I believe that the legislation before us to establish an Agency for Consumer Advocacy is one of the most important pieces of legislation on which the 93d Congress will act. We have recognized for years that the consumers' voices have gone unheard or unheeded in Government proceedings, and we now have an opportunity to do something about it.

The Consumer Advocacy Agency has the potential to affect all Americans, and despite some popular methodology to the contrary, I think that this effect will be clearly beneficial. Inside influence, special interest pleadings, and official actions against the public interest have become hallmarks of the governmental processes. The Consumer Advocacy Agency can wrest our captive Government agencies from the hands of special interests and return them to the people.

Americans who are disgusted with the dishonest advertising and merchandising practices in our commercial world will have a new ally in their battles to protect their rights. Americans who purchase faulty, ineffective, or unsafe products will have someone in Washington to stand up for them. Americans who work under unsafe conditions, or who travel on regulated trains, buses and airlines, will have their own advocate in agency proceedings affecting their interests. Those agencies set up to look out for the public interest, to promote public convenience, and to respond to public necessity will receive a shot in the arm in the carrying out of their statutory mandates. Ultimately the frustration, exasperation, and helplessness which presently characterize consumer attitudes toward Federal indifference to their interests can give way to a new sense of pride and confidence in our institutions. But this can occur only if we allow the process to begin.

The establishment of the Agency for Consumer Advocacy is imperative to give the consumer the basis of support which he needs to fight against interests which would take advantage of him.

This agency will be a nonregulatory public advocate for the consumers of this Nation. Consumer protection agency legislation has been evolving for 15 years and has undergone a great deal of revision and modification. An examination of the series of bills which leads up to S. 707 provides substantial insight into the value of this mature and comprehensive piece of legislation.

The first proposal for strengthening the consumer protection programs in the Federal Government came in 1959—a full 15 years ago—when the late Senator Estes Kefauver proposed that the existing Federal consumer-related programs be consolidated under a single bureau. As this idea developed during the next 10 years, the centralization of Federal consumer programs into a single Cabinet-level Department of Consumer Affairs became the most popular proposal. The Cabinet approach was founded on the conclusion that there was need not only for a well-organized and quality-staffed agency, but also for a high-level spokesman for the consumer in the executive branch of Government. The Department of Consumer Affairs would have been a high-powered regulatory body which would test products, establish standards and rules, and enforce compliance with consumer laws and regulations.

This agency would no doubt have evolved into the massive superstructure with strong regulatory powers over American business that many critics of S. 707 mistake the currently proposed agency for.

During the 1960's congressional committees held extensive hearings on the consumer department approach—hearings which revealed the complexity and enormity of such a restructuring of Federal activities. Detailed assessments of such a reorganization were made, and in 1969 Mrs. Virginia Knauer, President Nixon's Special Assistant for Consumer Affairs, concluded that the new department would likely encompass 413 units of the Federal Government which were administering 938 consumer-related services and activities. At this point, it began to apear that consumer regulatory policies were too deeply entrenched in too many other Federal agencies to make practical a unilateral extraction and consolidation of such services. The Cabinet-level approach for unified consumer protection regulation and policymaking was subsequently, and I believe wisely, abandoned.

With the demise of the concept of a Department of Consumer Affairs came the birth of a new proposal for a consumer advocate at the Federal level. The practicality of that idea—of an agency which does not have regulatory, testing, and standardizing authority over products and services, but rather one which studies and advocates consumer interests—gained increasing support among Government officials and consumer leaders.

During the ensuing sessions of Congress, numerous consumer advocacy bills were introduced. The utility consumer counsel bill, the Independent Consumer Council Act, and the Transportation Consumers' Information and Counsel Act were all of a type which called for independent consumer advocacy agencies working, primarily in Washington, for the interests of consumers.

In 1970 I introduced a bill to create a public counsel corporation—a strictly advocacy agency with no regulatory functions. Extensive hearings were held before my Administrative Practice and Procedure Subcommittee and witness after witness urged the establishment of an institutional voice in Government to speak for the unrepresented public. I ask unanimous consent that my statement of February 10, 1970, upon introduction of the public counsel bill, be reprinted in the RECORD at the end of my remarks.

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

(See exhibit 1.)

Mr. KENNEDY. The Consumer Advocacy Agency bill before us, I am pleased to observe, picks up many of the elements of my public counsel corporation bill. S. 707 goes further, is more complete, and has my full support.

The principle of the consumer advocate soon gained broad-based support, and committees in both Houses of Congress reported out a consumer protection agency bill during the 91st Congress. These bills, S. 4459 and H.R. 18214, proposed an independent advocate for consumer interests vested in an Office of Consumer Affairs. In addition, a system of grants-in-aid to State and local consumer programs was provided for.

The ensuing events are familiar to all of us. S. 4459 passed the Senate overwhelmingly in 1970, and H.R. 18214 became trapped in the House Rules Committee and never got to the House floor.

During the 92d Congress, the House acted rapidly and drafted H.R. 10835, which was very similar in nature to the bill of the preceding Congress. It passed the full House by a convincing 8 to 1 margin. The Senate, too, considered a new consumer protection bill, S. 3970. I addressed my colleagues on that occasion in support of the Consumer Protection Agency legislation, and the statement I made then is as pertinent today. I ask unanimous consent that it be included in the RECORD at the end of my remarks.

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

(See exhibit 2.)

Mr. KENNEDY. However, on the Senate floor, S. 3970 faced a most unfortunate demise: It was filibustered to death. Three attempts to invoke cloture failed, and for the second straight Congress, parliamentary maneuvers deprived the American people of sorely needed legislation.

Now, in the 93d Congress, we again have the opportunity to provide the American public with a Consumer Protection Agency. Last year the House of Representatives considered a similar bill which was a modified and greatly improved version of previous bills. H.R. 13163 passed the full House by a 293 to 94 vote on April 4 of this year.

And now the bill is again in our court. We have on the floor S. 707, a markedly improved and very comprehensive proposal—the culmination of 15 years at the drawing board and in the hearing rooms. Some of the modifications unique to this version of the bill are:

First, a single Administrator replaces a multimember board or commission as the executive head of the ACA.

Second, the Agency as now proposed is not authorized to intervene in State and local court proceedings, as it was before.

Third, S. 707 places much more stringent controls on the amount of information which the ACA may obtain from other Federal agencies.

Fourth, under the present legislation, the ACA will not represent itself in court, but will be represented by the Justice Department, except in cases involving agencies of the Justice Department.

Fifth, S. 707 guarantees that the views of small businesses will be heard by the ACA before any regulations affecting their services will be instituted.

Mr. President, the bill before us is a strong bill and it is a fair bill. In some ways it could be stronger, but I can certainly understand the balances struck in the development of the legislation. The Commerce and Government Operations Committees have drawn on years of study, research, and analysis and have done an outstanding job of carrying forward the strong facets of previous proposals while seeding out the weaker or harsher ones. Further improvement has occurred by floor amendment during the past few months. The result is a bill which will best serve the interests of the consumers of this country, so that they might obtain the goods and services for which they pay, so that they will not be harmed by faulty products, and so that they might have a greater voice in the formulation of Federal consumer-related policies. At the same time it is fair and considerate of the interests of the business community which may be challenged in regulatory proceedings.

This bill represents 15 years of proposals and developments, but it also represents 15 long years of inaction on the part of the Congress. S. 707 is now long overdue, and we cannot allow it to die another honorless death. The American public needs and wants a strong Consumer Protection Agency. The Congress has a mandate to act from the American people, and in these days when public confidence is at a low ebb, it is a mandate we can ill-afford to ignore.

I commend the leadership of Senators RIBICOFF, MAGNUSON, JAVITS, and PERCY in developing this important legislation. The distinguished Senator from Connecticut (Mr. RIBICOFF) pinpointed the issue before us thusly:

> The basic issue is simple—should the consumer interest be represented within the Federal regulatory process in the same manner as the interest of private business concerns and trade associations? This is not a revolutionary idea. This bill seeks to establish a rough equality for the consumer with the businesses and trade associations which are now well represented. I believe that fundamental fairness to the consumer demands that his economic, health and safety interests be represented just as the interests of General Motors and the pharmaceutical manufacturers are.

In summary, Mr. President, S. 707 would establish an agency for consumer advocacy as an independent, nonregulatory, advocacy agency, designed to represent the interest of consumers before other Federal agencies and courts. The establishment of such an advocate is imperative. Until now the interests of consumers have lacked the effective continuing representation which the other interests have had. This imbalance in representation has resulted in a system which has frequently given the consumers' interests inadequate consideration. There is no substitute for a presentation marshaling the relevant facts as they pertain to the consumer interest and providing vigorous advocacy of suggested conclusions by an advocate independent of the decisionmaking process.

The bill before us would establish a fair and equitable mechanism for representing the interests and the rights of the consumers of our Nation. The time has come for us to cease playing parliamentary games and to act positively on this most important piece of legislation.

I urge the full support of my colleagues for cloture so that the Senate might at last enact S. 707.

EXHIBIT 1

STATEMENT OF SENATOR EDWARD M. KENNEDY UPON INTRODUCTION OF PUBLIC COUNSEL CORPORATION BILL, FEBRUARY 10, 1970

Mr. President, the Federal administrative rulemaking processes reach almost every activity of every American. Children attend federally assisted schools; laborers work on

Federal or federally assisted construction projects or in industries contracting with or regulated by the Government; the Indian, the Alaskan native, the farmer, the disabled veteran, the widow, often rely heavily on Government assistance. The tax system is administered through regulations of the Internal Revenue Service; the meat we eat has been inspected pursuant to Department of Agriculture regulations; the products we buy—food, drugs, appliances, cosmetics, automobiles—are all manufactured and distributed within the framework of rules and regulations worked out by the FTC, the FDA, the Department of Transportation and other agencies of the Federal Government.

Yet how many of the people know of, much less participate in the determination of, the rules and regulations that so vitally affect them? Surely, the Washington law firms specializing in administrative practice follow closely and participate vigorously in any proceeding affecting the interests of their paying clients. But who looks out for the interests of the poor, the consumer, the elderly? Who is their advocate in the decisionmaking process? In fact, until now they have been unrepresented.

At present, practically the only resort for the unrepresented public is to complain to congressional offices, where staff generalists, usually not lawyers, may contact agencies regarding particular constituents or groups of constituents. Yet congressional staffs have neither the time nor resources adequately to handle all matters of administrative decisionmaking "appealed" to Capitol Hill, and often their involvement in administrative proceedings, however well intentioned or casual, creates problems of appearance.

One recent study undertaken for the Administrative Conference of the United States by Prof. Arthur Bonfield examined the extent to which Federal agencies attempt to ascertain the views of one element of the unrepresented public; namely, poor people, with respect to those rulemaking proceedings aimed at or having a substantial impact on them, and the extent such persons participate in those proceedings. The results were not surprising. To begin with, a number of agencies did not even recognize that programs they administered had a substantial impact on the poor. For example, the Department of Agriculture omitted from its enumeration of programs having a substantial impact on the poor the Rural Electrification Administration programs and the Federal Extension Service programs. In fact, these programs have a major influence on areas where a substantial part of the population is poor.

Even when agencies recognize that their programs substantially affect the poor, Professor Bonfield's study reports that about one-third of these agencies had not attempted to ascertain the views of those affected by the programs, and of the two-thirds stating they made some efforts to ascertain the views of the affected class, the efforts described appeared haphazard, unsystematic, and sporadic. Of those agencies acknowledging that they administer programs substantially affecting the poor, about half reported that no particular groups or organizations had intervened or otherwise participated in their rulemaking proceedings.

Often an agency feels that it has done all that is expected of it when it publishes in the Federal Register notices of proposed rules and regulations and of rulemaking proceedings. Yet, how many television watchers or automobile purchasers can pay the $25 a year for the Federal Register, will read it regularly will recognize a notice of a rule or proceedings by the Federal Communications Commission, Federal Trade Commission, or Highway Safety Administration affecting their interests, and will be able to understand that notice when they focus on it? Most importantly, how many consumers have the expertise, time, and financial ability to represent themselves or obtain counsel to represent their interests before the relevant agency?

Many bureaus and agencies, of course, have advisory panels, groups, or commissions, which are set up by statute or by regulation to assist them in obtaining the views of those outside of Government in a regular and orderly fashion. Yet the presence of a representative of any consumer or lay organization, or minority group, is almost totally lacking on any of these panels. For example, the Federal Communications Commission has a number of advisory committees, manned by representatives and employees of licensees, equipment manufacturers, broadcasters, and the like; but one wonders who advises the agency on the needs, and interests of the radio listeners, telephone users, and television watchers.

This past fall the Subcommittee on Administrative Practice and Procedure published a compilation of responses from members of the major regulatory agencies to a questionnaire I sent to them on citizen involvement and responsive agency decisionmaking. The same theme echoed on page after page. The Chairman of the Civil Aeronautics Board observed that "ordinarily, the Board does not specifically seek out the views of persons who would not otherwise be likely to present their views to the Board." That's a short-hand way of saying that only commercial interests regulated or directly affected are involved in agency decisionmaking. Commissioner Nicholas Johnson of the Federal Communications Commission observed the "citizen participation in the Federal Communications Commission's decisionmaking process is virtually nonexistent." Former Chairman Lee White of the Federal Power Commission wrote:

"On the whole, I believe meaningful citizen involvement in the administrative process is sorely lacking."

And even the Interstate Commerce Commission, which maintained that basically everything was fine in the agency, admitted that citizen participation before that agency is "somewhat limited."

This phenomenon is certainly not limited to the regulatory agencies. How often do aliens participate in rulemaking by the Immigration and Naturalization Service? What input do draft-age men have into the policy formulation of the Selective Service System? How often are passengers represented in ICC rulemaking proceedings? How is the automobile driver's interest represented before the various subagencies of the Department of Transportation? How often is the Indian heard before the Bureau of Land Management or the Bureau of Reclamation?

Obviously no one can insure that the public's voice will be followed in administrative rulemaking proceedings. And it certainly is not a monolithic voice. But presently there is no way we can be sure that diverse segments of the unrepresented public will be given an opportunity to be heard in those proceedings. A number of bills have been introduced in this Congress to give the consumer, the poor, and other segments of the unrepresented public a vehicle through which their interests can be translated into effective representation and channeled through the proper administrative processes to reach Government decisionmakers. Specifically, there are bills to establish a Department of Consumer Affairs, a Utility Consumers Counsel, and in Independent Consumer Council, and to authorize the Attorney General to contract for representation of the poor before Federal agencies. Each approach has its advantages and disadvantages, and many of these have been brought out and will continue to come out in hearings on the bills. We no longer question the need for effective representation of the public interest in the agencies of the Government. We are now searching for the means for more of such representation.

Today, I am introducing a bill to amend the Administrative Procedure Act to provide for the establishment of a Public Counsel Corporation. This bill is based on the premise—reinforced time and again in the studies by the Administrative Conference, in articles and books on administrative law and procedure, and in volumes of testimony before a number of House and Senate committees—that large segments of the American public are not adequately represented in the Federal rulemaking process, and thus that the views of those directly affected by administrative agencies of all types are frequently not heard in the formulation of policy.

There are a number of privately funded organizations, many with offices in Washington, that are now making first efforts at representing before Government agencies segments of the heretofore unrepresented public in specific substantive areas. Examples of these are the Center for the Study of Law and Social Policy, the Center for the Study of Responsive Law, the Washington Research Project, the Citizens Advocate Center, the Citizens Communications Center, the Consumer Federation of America, Action on Smoking and Health, Citizens Board of Inquiry into Health Care, and the Welfare Rights League, to name but a few.

These are beginning to take their place beside the older organizations, for example, the Legal Defense Fund, the NAACP, the ACLU, and the Sierra Club. These organizations have performed and will increasingly perform important functions in representing citizens' interests before Federal agencies. But the demand for such representation far exceeds that which they can on their own supply. They are all dependent on individual contributions or foundation funding, and thus they often have neither the present resources nor the long-range financing to budget complex projects or long-range activities, both of which are necessary for effective participation on administrative proceedings. Thus there remains a huge public representation gap which only public resources can fill.

The Public Counsel Corporation I propose would be a nonprofit Corporation modeled after the Public Broadcasting Corporation, funded by the Federal Government and directed by a board of presidential appointees. The Corporation would be authorized to represent directly or by contract the interests of the unrepresented public in agency proceedings, either on its own initiative or by request of the agency. It could initiate rulemaking proceedings and could represent individuals or groups seeking judicial review or consideration of administrative actions or inactions where the issues involved substantially affect the interests of the unrepresented public.

The Corporation would also serve a clearinghouse function of collecting and disseminating information concerning rulemaking affecting the unrepresented public.

The term "unrepresented public" is generally defined in the bill as "persons or groups of persons whose collective interests are not likely to be adequately represented in regulatory agencies of the United States because such persons or groups lack resources or institutional mechanisms to provide such representation." I believe that the Board of the Corporation can determine the precise substantive areas of involvement based on input from presently existing public interest organizations and on a study of areas where the public is not at present adequately represented by any groups or organizations.

The Public Counsel Corporation cannot insure that Government regulators will consider the needs of the consumer, the poor, the elderly, the minority groups, and other citizens. It is not an exclusive remedy. The Corporation set up by the bill might exist

side by side with a Utility Consumers Counsel, or might be incorporated into and utilized to expand the representational elements of the Independent Consumers Counsel.

I hope that hearings on my proposal will bring out not only the value of independent representation of public interests before Government agencies, but how the various proposals currently before Congress can be amalgamated to insure that the processes of Government are opened to widespread public participation.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 3434) to amend title 8, United States Code, to provide for the establishment of a Public Counsel Corporation to insure full participation by and on behalf of unrepresented citizens in administrative rulemaking proceedings, introduced by Mr. Kennedy, was received, read twice by its title, and referred to the Committee on the Judiciary.

EXHIBIT 2

STATEMENT OF SENATOR EDWARD M. KENNEDY IN SUPPORT OF S. 3970, 92D CONGRESS, SEPTEMBER 21, 1972

Mr. President, the establishment by Congress of a full-time consumer advocate is long overdue. Through the years our Government has experimented with various methods of promoting advocacy of the consumer's interest within the various agencies and departments, dating back to the Consumers' Counsel established in the Coal Commission in 1935. President Johnson established an Office of Consumer Counsel in the Justice Department in the mid-1960's; recent legislation setting up the Postal Service provided for a public counsel to participate in rate proceedings. The Consumer Protection Agency represents a culmination of decades of these piecemeal efforts, and would build into the federal system generally an independent voice for the interests of the American people as consumers.

Much of the administrative process works in an adversary manner, even when rulemaking is involved. But too often the adversaries all represent special interests vying for a favored position in the marketplace. The interests of big business are never forgotten in proceedings affecting their interests; the Washington lawyer sees to that, perennially subjecting the agencies to lopsided pressures. The large economic blocks in our society can afford to hire agents who keep tabs on agency activities and are alerted usually before actions affecting their interests are initiated. Whether over cocktails or at lunch, or through the Federal Register or trade journals, industry's representatives stands ready to do battle. At hearings they appear with an army of engineers, economists, and other experts—in quadruplicate—to persuade the agency that the public interest or the public convenience and necessity coincide with their position. Yet all the while the voice of the consumer is drowned out by competition of these more particularized interests.

It is no secret that particularized interests have found effective representation within the structure of the Federal Government. Hardly a day goes by without the newspapers carrying further evidence that the agencies have become captives of the industries they regulate. The Department of Agriculture represents the farmer. The Department of Commerce represents the businessman. The Interstate Commerce Commission represents the carrier. So far, however, the consumer does not have his own, independent, exclusive spokesman.

Last year a study completed for the National Product Safety Commission analyzed the scope and adequacy of the automobile safety, flammable fabrics, toys, and hazardous substances programs of the Department of Transportation, Commerce, and Health, Education, and Welfare. That study concluded:

"To counter industry arguments and institutional constraints limiting vigorous agency action, an independent voice speaking for the generalized consumer interest should be intruded into the administrative process. That voice should be heard in the critical phases of standard setting before specific proposals are published, and later, when formal proposals have been formulated. The ubiquitous presence of the consumer spokesman should stiffen the spine of the most timid official."

At last count, over 50 separate bills had been introduced in Congress to provide, in some manner, representation for the consuming public—often broadly defined—before Federal agencies. All of these would, among other things, give consumers a vehicle through which their interests could be translated into effective representation and channeled through the proper administrative channels to reach Government decisionmakers.

Proposed legislation would have placed this public advocate in a Cabinet-level agency, in an independent agency, in the Executive Office, in the Justice Department, or in an independent public corporation. Each approach had its advantages and disadvantages, and many of these have been brought out in hearings on the bills. In short, the need for a full-time consumer advocacy agency at the Federal level has been well established. After hearings extending over 3 years in various committees, the Consumer Protection Agency established by S. 3970 has been determined to be best designed to meet this need.

I, myself, authorized a bill to create a Public Counsel Corporation—an independent Federal agency to represent the views of the public in administrative proceedings. This bill was one of the first, if not the first, proposal for a strictly advocacy agency, with no regulatory or product-testing functions. Hearings were held before my Administrative Practice Subcommittee and witness after witness brought out the urgent need for the establishment of an institutional voice in Washington for the consumer. I am most pleased to see that the proposed Consumer Protection Agency will be able to shoulder the burdens for which my Public Counsel Corporation was designed; in many respects it is a stronger, more comprehensive bill, and it has my full support.

As has been pointed out on numerous occasions, hundreds of Federal consumer protection activities are spread out among dozens of departments and agencies. Thousands of decisions are made each day affecting every aspect of our lives, while we often stand by wondering whether the Government—our Government—exists of the people and for the people, or whether it merely exists for its own sake. The average consumer does not know who makes the decisions here in Washington, or how they are made. And he is not involved in the process by which they are made. But he knows one thing: those decisions affect him, and he must live with their outcome. The consuming public want to be heard on decisions affecting them, and the decisionmakers desperately need to hear fully and forcefully the views of consumers. But in the past the consumer's voice has seldom reached the decisionmaker, and the quality public regulation and administration has suffered the consequences. The Consumer Protection Agency can fill the void, providing a new, vigorous advocate to assist all government agencies in responding more directly to the real needs of the American public.

Mr. MATHIAS. Mr. President, a vigorous Agency for Consumer Advocacy can begin to redress the alienation that many citizens feel toward their National Government. That so many citizens believe they have no voice in governmental decisionmaking is one of the most serious problems of our society. Unfortunately, this belief is not unjustified. Citizens are effectively excluded from our Government's decisionmaking process. Agency secrecy blocks public access to the background of a decision and raises additional suspicions that the Government acts without full consideration of citizen interests. In many areas—notably Government economic policy—the public has reasonably felt shut out of the most crucial decisions. Now the revelation of widespread political pressure on all levels of government has multiplied feelings of citizen helplessness.

The exposure of political influence on Justice Department prosecutions—such as the ITT antitrust case—undermines public belief that the laws are being equally enforced. When the Government seems helpless to control modern problems like computer data banks, citizens legitimately question its effectiveness. Government has caused this problem and strong Government action is needed to solve it. The Agency for Consumer Advocacy can help to return to Federal decisionmaking the voice of the consumer—that is, the voice of the average citizen. Through active and vocal participation in decisions affecting consumers, it can let citizens know that the Government advocates their interests. It can provide the mechanism for redressing vast consumer grievances, especially important since the recent Supreme Court rulings on class action lawsuits. This new agency is sorely needed if we are to regain that most crucial element of democracy—public confidence that the Government is working for the good of its citizens.

It is for these reasons, Mr. President, that I feel it is of the utmost importance that we vote here today to invoke cloture and break the filibuster on S. 707. I urge my colleagues to do so, and thereby pave the way for further action on this much-needed piece of legislation.

Mr. AIKEN. Mr. President, the Senate is currently considering a bill, S. 707, to establish an independent Consumer Protection Agency. I am concerned about the possible effect this bill could have on the expeditious conduct of administrative and court proceedings.

I am especially concerned the bill not result in any administrative delays which injure farmers, businessmen, and other persons who at times needed decisive and immediate action from the Federal Government.

As I understand it, it is not the intent of the drafters of S. 707 that the Administrator of the Agency for Consumer Advocacy can misuse his powers by creating delays in administrative and court proceedings.

The amendment to S. 707 that I am proposing should clarify this point and prevent the Administrator of the ACA from so misusing his powers. The amendment reads as follows:

On page 40, between lines 16 and 17, insert the following new subsection:

(c) Consistent with his authority under

section 6 of this Act, the Administrator shall endeavor to expedite any agency action, activity, or proceeding in which he intervenes or participates, and shall not delay any such action.

I have spoken to the chief cosponsors of this legislation and they have assured me that they support this amendment.

My amendment guards against excessive delays at the agency or court level in the following ways:

The amendment to section 22 of the Dole substitute first requires the Administrator to avoid steps which would delay the conduct of proceedings.

It thus makes it absolutely clear that the Administrator of the ACA may not seek to delay agency or court proceedings just for the sake of delay.

To the contrary, the Administrator will be subject, just as any other person, to agency rules or court proceedings designed to avoid delay or to expedite proceedings.

The amendment to section 22 also charges the Administrator with the affirmative duty of doing everything he reasonably can to actually expedite proceedings in which he gets involved.

I would expect the Administrator will always try to resolve matters in which he is involved as quickly as possible, consistent with his duties to represent the interest of consumers.

In addition, my amendment will charge the Administrator with a duty to point out to the agency or the court the ways to expedite proceedings wherever he sees an opportunity for doing so.

He will be under a duty to oppose efforts to unreasonably delay proceedings by other parties including corporate interests, middlemen and speculators.

In connection with this question of delay, I would like to ask a few questions to make sure my understanding of the bill is correct.

Will the ACA be able to exert pressure on an agency by threatening to engage in long administrative hearings, or by threatening to appeal a decision in court if the agency refuses to do what ACA wants?

Specifically, will the ACA be able to so force its views on an agency where that agency must take immediate action on a matter, and consequently, cannot afford to be slowed down by any legal action the ACA might take?

Mr. JAVITS. First of all, an agency has a number of ways to assure the expeditious completion of its hearings under its powers to regulate hearing procedures.

Because of this fact, ACA threats to delay proceedings would not have much effect on the agency.

Second, a number of agencies are empowered to take immediate action on a temporary basis, pending completion of the administrative process.

For example, if the Federal Power Commission does not complete its review of a proposed new rate schedule within 5 months, the rate schedule goes into effect anyway and remains in effect until agency review of the matter is completed (16 U.S.C. 824(d)).

If the ACA seeks to challenge a proposed hike in the price of natural gas it would not be able to block the price rise simply by delaying final agency action on the matter.

Third, where speed is of the utmost importance, a court reviewing an agency's proceedings can take steps to resolve the matter as quickly as possible.

Under the circumstances, the threat of a possible appeal by ACA unduly delaying proposed action the agency must take quickly should not be a matter of great concern to the agency involved.

Finally, the only way the ACA would be able to block immediate agency actions in other cases where an agency feels immediate action is necessary is by obtaining a court order staying the proposed action.

It is not the intent of the sponsors of S. 707 that the ACA could, regardless of the circumstances, obtain a stay of the agency action pending a review of the matter on its merits.

It will be up to the court to decide whether a preliminary injunction should be issued pending review of the agency action.

The law is clear that unless there is a specific statutory provision to the contrary, such stays may not be granted if issuance of the stay would cause such serious or irreparable injury to others as to be contrary to the interests of justice.

The ACA would be entitled to obtain such a stay only if it made a strong showing that it would ultimately win its case and that it is more in the public interest to have the stay granted than if it were not granted.

A number of cases, including *Abbott Laboratories* v. *Gardner*, 387 U.S. 136; *Eastern Air Lines* v. *CAB*, 261 F. 2d 830 (2d Cir. 1958); and *Associated Securities Corporation* v. *SEC*, 283 F. 2d 773 (10th Cir. 1960) have made it clear that such requests for stays should be refused under a variety of circumstances.

A provision of the Administrative Procedure Act (5 U.S.C. 705) is a statutory recognition of this case law.

It would be as fully applicable to ACA as any other party that seeks to stay agency actions.

In the *Abbott* case, the Supreme Court stated:

The institution of this type of action does not by itself stay the effectiveness of the challenged regulation. There is nothing in the record to indicate that petitioners have sought to stay enforcement of the . . . regulation pending judicial review. . . . If the Agency believes that a suit of this type will significantly impede enforcement or will harm the public interest, it need not postpone enforcement of the regulation and may oppose any motion for a judicial stay on the part of those challenging the regulation . . . It is scarcely to be doubted that a court would refuse to postpone the effective date of an Agency action if the Government could show, as it made no effort to do here, that delay would be detrimental to the public health or safety.

Mr. AIKEN. Let me take a hypothetical example.

Suppose a Federal agency issues an order pertaining to the production, harvesting, processing or marketing of perishable fruits or vegetables.

Could ACA appeal that decision to the court and thereby prevent farmers from handling their crops until the appeal had been decided, even though such a delay could result in the crops spoiling?

Mr. JAVITS. There is no way this could happen.

A court could not grant a stay if it would result in farmers seeing their crops jeopardized.

This is just the kind of irreparable injury which would require the court not to grant a stay.

Mr. AIKEN. I would like to ask the Senator whether it is his understanding that under the bill, as clarified by my amendment, the new Agency will be under a legal obligation not to misuse its powers by unnecessarily delaying Agency actions?

Mr. JAVITS. This is certainly the case. It was never the intent of the sponsors of S. 707 to permit the ACA to disrupt normal agency or court procedures.

I wish to commend the senior Senator from Vermont for introducing his proposed amendment.

It is a very useful and important amendment which should make the legislative intent on this matter absolutely clear.

Speaking for myself and Senator PERCY, Senator RIBICOFF, Senator DOLE, and Senator MAGNUSON, I can say we wholeheartedly support the amendment and hope it will be adopted by the Senate.

Your amendment makes it clear that the ACA may not act in a way designed simply to delay agency or court proceedings. Quite to the contrary, the Administrator will be charged with the affirmative duty of trying to expedite procedures in which it is involved in every reasonable way possible.

Furthermore, section 6(a)(2) of the Dole substitute specifies that when ACA intervenes in an informal agency proceeding, it must do so "in an orderly manner and without causing undue delay."

Mr. AIKEN. What measures can an agency take under the bill, as amended, to make sure that ACA does not just become an instrument for delay?

Mr. JAVITS. The specific measures an agency is empowered to take to prevent ACA from delaying procedures are numerous.

For example, an agency can require ACA and other participants to introduce any testimony they have in written form rather than in oral form. Among the provisions to which the ACA will be subject which provides for such procedures are the Administrative Procedure Act (5 USC 556(d)) and the rules of the Federal Power Commission (18 CFR sec. 1.22(b)) and the Interstate Commerce Commission (49 CFR sec. 1100.77).

The agency can prevent hearings from taking time-consuming recesses, and it can establish accelerated schedules for briefing or for oral argument where necessary.

It can make sure that in order to avoid unnecessary delay the evidence the ACA introduces, and the questions it asks on cross-examination, are relevant and material and neither repetitive nor merely cumulative of what has already been

said. See for example 5 U.S.C. 556(d) and the Food and Drug Administration rules (21 CFR sec. 2.81).

It can limit the number of witnesses that may be heard on a particular issue. See for example the FPC rule (18 CFR sec. 1.20(i)) and the Interstate Commerce Commission rule (49 CFR sec. 1100.76).

Where the parties are especially numerous, the agency can require parties with common interests to select one attorney among them to conduct the cross-examination.

The agency can rigidly control the length and extent of pretrial discovery permitted the ACA and other parties before the agency proceedings actually start.

It can force the ACA and other parties to the proceeding to agree before the start of hearings what issues are in dispute, what issues are not in dispute, what facts can be stipulated, and what facts are in dispute. See, for example, the Administrative Procedure Act (5 U.S.C. 556(c)(6) and the rules governing stipulations and prehearing conferences in Federal Power Commission hearings (18 CFR sec. 1.18; 1.25).

Under the procedures already followed by some agencies, such as the Federal Trade Commission, summary judgments may be issued without a time-consuming hearing where there is no material dispute about the facts of the case (16 CFR sec. 3.24).

Interlocutory appeals can at the same time be carefully limited to prevent unnecessary delay in the proceedings. See for example, the Federal Trade Commission and the Federal Communications Commission rules (16 CFR 3.23(b) and 47 CFR 1.301(b)).

Many agencies permit a hearing examiner to bar a person from the proceedings if he repeatedly adopts dilatory tactics. The Food and Drug Administration provides for this, for example, see 21 CFR 2.62. The ACA would be just as subject as any party to the terms of this regulation.

Agencies are authorized to take these and other similar measures to control ACA's participation by provisions in S. 707, as well as other laws which will apply.

Section 6(a) of the Dole substitute states that when the Administrator participates in agency proceedings it must comply with all agency statutes and rules of procedure of general applicability governing the conduct of such proceedings, and the participation of parties in such proceedings.

Further, section 6(i) directs each Federal agency to issue whatever additional procedural rules are necessary to assure that ACA participates in agency activities in an orderly manner. Finally section 6(a) imposes on an agency the responsibility for assuring that the ACA's participation in a proceeding shall not deny other parties procedural fairness.

General agency regulations would also endorse wide use of such measures as I have already mentioned as a way to expedite proceedings in which ACA is involved.

The ACA will be subject, for example, to the regulation governing Federal Trade Commission proceedings (16 CFR 3.42(c)) which requires the administrative law judge "to take all necessary action to avoid delay in the disposition of proceeding." The regulations grant the judge all powers necessary to achieve that end. The Interstate Commerce Commission regulations specify that the rules of evidence shall be applied in such a way as to assure "that needful and proper evidence shall be conveniently, inexpensively, and speedily produced, while preserving the substantial rights of parties" (49 CFR Sec. 1100.75).

Agencies and courts have long been aware of the need to regulate public participation in its proceedings so that agency activities are not unduly delayed. The courts have pointed out that when additional, interested persons intervene in agency proceedings, the agency can avoid undue delays by adopting procedural rules of the type I have just described. See, for example, *Virginia Petroleum Jobbers Association* v. *FPC*, 265 F.2d 364, 368–8. (D. C. Cir. 1959).

Because S. 707, other statutes and agency rules permit an agency to take the necessary steps to expedite its proceedings, I am confident ACA involvement will not hinder an agency's effectiveness through delay or other means.

Mr. AIKEN. Can the Administrator participate or intervene in an agency proceeding to prevent others from delaying action. In other words, can he intervene to speed up an agency decision?

Mr. JAVITS. S. 707 provides the Administrator the authority to intervene or participate in agency proceedings, or activities when he determines a substantial consumer interest is involved.

The Administrator may well find that the paramount consumer interest is for the agency to reach a decision promptly.

Your amendment would also empower the Administrator to work to expedite an agency activity once he does intervene or participate.

So, the Administrator has a dual responsibility, as you have underscored, to both avoid actions of its own which produce delay, and to oppose delaying actions of others.

Mr. AIKEN. The goal of this legislation is to assure that the consumer has representation before business and Government.

My second amendment would assure that this representation covers all Government activities. As it now stands, the Administrator may represent the consumer and consumer interests before Federal agencies and the courts. Left out is the Congress, except for his responsibility to keep appropriate congressional committees advised as to the activities of his agency.

My second amendment would give the Administrator the authority as long as he is requested by one member of the committee, to appear before any congressional committee and on any consumer issue.

This amendment would assure the consumer of having a voice in the activities of one branch of the Government which affects him in every way in his every day life, and it reads as follows:

(1) On page 10, line 6, strike out all after line 6 and insert in lieu thereof "Federal agencies, courts and the Congress to the extent authorized by this Act".

(2) On page 11, line 5, before the semicolon, insert "and when requested by a member of the Committee, may personally appear before any Committee of the Congress on any consumer issue".

DISAPPROVAL OF ALTERNATIVE PLAN FOR PAY ADJUSTMENTS FOR FEDERAL EMPLOYEES

The Senate continued with the consideration of the resolution (S. Res. 394) disapproving the alternative plan for pay adjustments for Federal employees.

The PRESIDING OFFICER. Under the previous unanimous-consent agreement, the hour of 12:45 having arrived, the Senate will proceed to vote on Senate Resolution 394, which the clerk will report.

The legislative clerk read as follows:

A resolution (S. Res. 394) disapproving the alternative plan for pay adjustments for Federal employees.

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

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second. The yeas and nays are ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Arkansas (Mr. FULBRIGHT) is necessarily absent.

The result was announced—yeas 64, nays 35, as follows:

[No. 413 Leg.]

YEAS—64

Abourezk	Fong	Metzenbaum
Aiken	Gravel	Mondale
Allen	Hart	Montoya
Bayh	Hartke	Moss
Beall	Haskell	Muskie
Bentsen	Hathaway	Nelson
Bible	Hollings	Packwood
Brooke	Hughes	Pastore
Burdick	Humphrey	Pell
Byrd, Harry F., Jr.	Inouye	Proxmire
Byrd, Robert C.	Jackson	Randolph
Cannon	Javits	Schweiker
Case	Johnston	Sparkman
Church	Kennedy	Stennis
Cranston	Long	Stevens
Dole	Magnuson	Symington
Domenici	Mathias	Talmadge
Dominick	McClellan	Tunney
Eagleton	McGee	Weicker
Eastland	McGovern	Williams
Ervin	McIntyre	Young
	Metcalf	

NAYS—35

Baker	Fannin	Pearson
Bartlett	Goldwater	Percy
Bellmon	Griffin	Ribicoff
Bennett	Gurney	Roth
Biden	Hansen	Scott, Hugh
Brock	Hatfield	Scott, William L.
Buckley	Helms	Stafford
Chiles	Hruska	Stevenson
Clark	Huddleston	Taft
Cook	Mansfield	Thurmond
Cotton	McClure	Tower
Curtis	Nunn	

NOT VOTING—1

Fulbright

So the resolution (S. Res. 394) was agreed to.

Mr. ROBERT C. BYRD. Mr. President, may we have order in the galleries and in the Chamber?

The PRESIDING OFFICER. The galleries will be in order.

CONSUMER PROTECTION—AGENCY FOR CONSUMER ADVOCACY

The Senate continued with the consideration of the bill (S. 707) to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants, in order to protect and serve the interests of consumers, and for other purposes.

The PRESIDING OFFICER. Under the previous unanimous-consent agreement, the Senate will now proceed to debate the motion to invoke cloture on S. 707 for an additional one-half hour.

Who yields time?

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

The PRESIDING OFFICER. The Senate will be in order. The galleries will be in order.

Mr. ALLEN. Mr. President, I yield myself 5 minutes.

We now approach the time for decision with respect to S. 707; and, in effect, the vote is going to be an up-and-down vote—a vote in favor of an agency for consumer advocacy, or consumer protection, as the case may be, or a vote against it.

We really approach an anomalous situation. Ordinarily, a cloture vote is taken for the purpose of shutting off debate, ending debate. But I submit that in this case a vote for cloture is a vote to continue the debate. That comes about by reason of the fact that this is the fourth vote we have had in the Senate seeking to invoke cloture—that is, cut-off debate—on S. 707.

The majority leader has decreed and all sides have accepted the fact that this is to be the last vote on cloture on this bill in this session of Congress. Ordinarily, as the Senator from Alabama recalls, a cloture vote has been had only three times, and then the bill would be drawn down by the majority leader. This time, the majority leader, following his uniform spirit of fairness, has decreed that there will be a fourth vote. I do not know whether it is an unprecedented fourth vote, but it is certainly an unusual fourth vote on a cloture motion.

So, Mr. President, a vote against cloture is a vote to end debate. A vote in favor of cloture will continue the debate, as provided by rule 22, for many hours, possibly even many days, because each Senator has an opportunity to speak for at least an hour, and there is opportunity for a vote on many amendments, many motions. Frankly, if the opponents of the measure were so minded, the debate could continue for days and days and days, if the opposition to the bill saw fit to take that action.

So the way to end the debate is not to vote for cloture; it is to vote against cloture. That would bring this bill down. If cloture fails, the bill will be withdrawn, it will be defeated, and then doubtless an effort will be made to come up with a better and perfected bill at the next session of Congress.

Apparently, from all accounts, this bill is showing improvement from time to time; because the 1971 bill, the one that was considered in the House in 1971—it passed the House and died in the Senate—was denounced by the chief consumer advocate as being a fraud on consumers. It has been changed, as has been stated by the Senator from Connecticut, some 69 or 67 times since then.

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

Mr. ALLEN. I yield myself 3 additional minutes.

Mr. President, I do not think anything would be lost by consumer advocacy if cloture is defeated.

I read in the news media and hear in the media that this issue is going to be decided by some five uncommitted Senators. How can there be five uncommitted Senators when we have already had three votes on this issue? How would a Senator be considered to be uncommitted after having voted three times?

So if all Senators who have been voting against bringing this debate to a close will stand firm, the bill will be defeated.

I also note in the media that some of the Senators—the so-called uncommitted Senators—are also referred to as wavering Senators. I do not believe we have any wavering Senators, waffling Senators. I believe that the Members of this body stand on their convictions. I do not believe they could waver by the persuasion of the siren voice of the advocate of the proposed legislation.

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

Mr. ALLEN. I yield myself 1 additional minute.

I also hear that various Senators have offered amendents they want to use to crack the ice on this stalemate. The distinguished Senator from North Carolina earlier today pointed out the analogy between the Senators who want amendments, who say they will vote for cloture if their amendments are accepted, and one of Aesop's fables.

It is the story of the lions who had a den and invited all the denizens of the jungle to visit them in their den. There were many tracks going into the den, but none coming out. If these amendments are accepted in the Senate and go to conference, we will see very few, if any, of them coming out of conference.

We hear a manager of a bill say on the floor of the Senate, "We will accept that amendment and take it to conference." We all know that that is the last of the amendment.

I hope that these so-called wavering Senators will not be wavering Senators.

I reserve the remainder of my time.

Mr. RIBICOFF. Mr. President, I yield 3 minutes to the Senator from Kansas.

Mr. DOLE. Mr. President, I have listened with great interest to my distinguished colleague from Alabama. As I view it, today we are going to conduct a very historic fourth cloture vote on the Agency for Consumer Advocacy bill.

I sincerely hope that every Senator here will consider the merits of this bill, making what he considers to be the proper judgment. And in an effort to demonstrate that there are those of us who can have honest convictions—and then have just as honest a change of opinion—I should like to make it clear that if cloture is invoked, the pending matter will be the so-called Dole substitute.

Although I recognize that in the eyes of some there may yet be some weaknesses in the proposed substitute, I would hope that each of my colleagues will take note of the very significant and meaningful changes. Foremost among these, of course, is the basic element of the compromise measure which places the Administrator of the ACA in substantially the same legal position as private parties before the Federal agencies and courts.

This conforms with the principle of parity which was so badly lacking in the original version of S. 707. It is also among the recommendations for improvement which have been made by the administration.

My substitute—which has been cosponsored by the original proponents of S. 707—is based on the House-passed bill, H.R. 13163. But it also incorporates all the best provisions of the Senate bill as well.

It includes numerous safeguards for business; it adopts the House language with respect to Federal labor proceedings; and it requires the ACA to protect the interests of farmers when they stand in the role of consumers. This it does by insuring that there will be consultation with farmers to take into account their special needs when formulating policy.

I believe the substitute is a well-balanced measure and a very acceptable compromise. It has resolved most of the major objections expressed by the administration as well as those advanced by many concerned individuals in business and agriculture.

Only those in this Chamber can resolve the final question, however, and I firmly believe the time has come: after so many years of hard work and consideration—to commit ourselves to act affirmatively on consumer protection legislation.

The PRESIDING OFFICER. The Senator's 3 minutes have expired.

The Senator is recognized for 1 more minute.

Mr. DOLE. Thank you, Mr. President. As I have indicated, I am well aware that there are some strong views about the necessity and propriety of this bill. But as I travel around my State of Kansas, one of the most frequent questions I am asked is, "What are you doing about inflation? What is the Congress doing about inflation?"

I might suggest—even though there are some who would disagree—that perhaps the Agency for Consumer Advocacy could be of some help to consumers in their individual fights against inflation. For when a person is involved with some Federal agency—whether it be the CAB, the FEA or USDA—a representative of his interests might be able to have some impact on the economic considerations which are important to him.

Finally, Mr. President, in an effort to summarize my views on this matter, I would like to call attention to a letter which I sent to President Ford on August 23. I believe it sets forth rather clearly

the differences between the original Senate bill and the substitute which I developed with the original sponsors, and ask unanimous consent that it be printed in the RECORD at this point.

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

U.S. SENATE,
Washington, D.C., August 23, 1974.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: The Senate has been considering since July 16 legislation to create the Agency for Consumer Advocacy. As you know, final approval has been blocked by a filibuster.

In an effort to meet remaining concerns about the nature of the proposed agency, I introduced on August 20 a new compromise bill which in its key provisions is close to the House-passed consumer bill. My substitute bill is supported by all the chief sponsors of the original Senate bill, S. 707. As a result, the Senate has scheduled, for only the third time in its history, a fourth cloture vote on September 19.

I hope that you will give careful consideration to supporting this legislation now that a broad based compromise has been reached.

My initiative is based on the House-passed bill, H.R. 13163, which itself was a compromise between two other bills in the House Government Operations Committee. Those bills were the Brown-Fuqua bill, on the one hand, and the Rosenthal bill on the other. By confining the agency to an entirely *amicus* status, the Brown-Fugua bill would have given the agency even less power than private parties have to advocate their views before the courts and Federal agencies. This *amicus* approach would thus result in no real improvement over current representation of consumer interests within the Federal government. At the same time, the Rosenthal concept, bordering on establishment of a miniature Department of Justice with its own investigators, independent interrogatory powers and other excessive authority, was no more acceptable. Neither approach was acceptable to the House Committee or to a majority of the House, and would not be acceptable to a majority of the Senate either. The compromise position was, and is, the principle of parity.

The Dole substitute adheres to the compromise principle of parity which was supported in the House in 1972 and again in 1974. This parity principle places the Administrator in the same legal position as private parties before Federal agencies and courts. My substitute represents an even further compromise between the bill worked out in the House and the Senate bill. It retains changes made in the Senate bill as a result of several months of negotiations between the Senate sponsors of S. 707 and representatives of the Office of Mangement and Budget. Further, my bill meets other key objections subsequently raised by the Administration. As a result, my compromise cuts back considerably on the powers granted to the agency in the original version of the bill considered by the Senate.

The key elements of the Dole substitute are:

1. Interrogatories. Previously, the Senate bill permitted the agency to submit requests for information directly to private businesses. My substitute limits the agency to submitting requests through the auspices of a host Federal agency. This will assure that only requests conforming to the statutory authority of both the ACA and the host agency are sent out.

2. Subpoena Power. The Senate bill would have permitted the ACA to request use of an agency's subpoena authority when it submits views in informal agency proceedings. The Dole compromise deletes this subpoena power.

3. Removal for Cause. The Senate bill would have provided that the ACA Administrator be subject to removal only for "inefficiency, neglect of duty, or malfeasance in office". The compromise deletes this limitation and restores the normal removal of the President.

4. Independent Submission of Budget. The Senate bill would have required the ACA to submit its proposed budget to the Congress at the same time it is submitted to OMB. The Senate bill would also have permitted the agency to submit any legislative proposal it might have directly to Congress without first submitting the proposals to OMB. My compromise deletes these provisions and restores the normal review functions within the Executive.

These changes meet the chief objections posed by Mr. Roy Ash, Director of OMB, in his letter of May 15 concerning the original Senate bill to Chairman Sam Ervin.

My substitute, based on the best features of the House bill, is an amalgam incorporating additional safeguards for businesses which were added for the first time during Senate consideration of the legislation.

Among the safeguards are the following:

1. The exemption from the interrogatory section for small businesses.

2. The provision requiring the ACA to consult with small business and to take their special needs into account when setting policy.

3. The provision denying the ACA the right to be present when other interested persons appear before the agency in connection with informal agency activities.

4. The bar against the ACA using its information-gathering powers to obtain prosecutorial recommendations from other agencies.

5. The bar against the ACA obtaining from other agencies data from bank examination reports which would constitute an invasion of an individual's personal privacy.

6. The wording providing for the expiration of the agency's authorization at the end of three years.

7. Protection against public disclosure of complaints submitted to the agency on a confidential basis by members of the public.

Because of my concern about the effect of the act on farmers, the compromise contains additional provisions on agriculture not in either the House or Senate bill. An addition to Section 17 requires the ACA, in its efforts to lower food prices, to consider the income needs of farmers. Amendments to Sections 5 and 15 expand the definition of consumers to include farmers, and specifically direct the agency to assure that farmers can obtain at a pair price the goods and services they need. This should benefit farmers and consumers as well.

The shape of the final compromise also reflects in a number of ways the fruits of the discussions sponsors of the legislation have held over many months with Administration officials. A number of important changes were made as a result of these discussions.

These include (1) deletion of the provision creating a separate Council of Consumer Advisors, (2) deletion of the provisions authorizing the agency to intervene in state or local agency or court proceedings, and (3) deletion of the provision authorizing grants to state and local agencies to promote consumer interests and education. A significant number of important technical changes in the wording were also made at the request of the Administration.

It is encouraging to me that my substitute is similar to concept to a measure which passed the House in 1972 with your endorsement. My substitute and the 1972 House measure both rely upon the principle of parity as a basis of legislative compromise. My substitute thus takes the best from four year of legislative history and would result in a Consumer Advocacy Agency which would assure a fairer balance among the interests represented before Federal agencies.

The Consumer Advocacy Agency would help in the fight against inflation by making known the impact upon consumers of increased Federal spending or higher prices. The contributions the agency could make in this area will far more than justify the cost of its very small budget.

I very much hope you can support the efforts of a majority of the Senate to pass legislation creating a Consumer Advocacy Agency.

Sincerely yours,

BOB DOLE,
U.S. Senate.

Mr. DOLE. I want to close by underscoring again what I consider two of the major safeguards in this bill; that is, the exemption from mandatory interrogatories for small businesses, and the provision requiring the ACA to consult with those businesses, and take into account their special needs in establishing policy.

With that, Mr. President, I yield back any time which I may have remaining.

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

Mr. ALLEN. I yield 1 minute to the Senator from North Carolina.

Mr. ERVIN. Mr. President, unlike the distinguished Senator from Kansas, I cannot see any substantial difference between the original bill and the substitute. The distinction between Tweedledum and Tweedledee is as wide as the gulf which yawns between Lazarus in Abraham's bosom and dives in hell, as compared with the difference between the original bill and the substitute bill.

The PRESIDING OFFICER. Who yields time?

Mr. RIBICOFF. I yield 3 minutes to the senior Senator from New York.

Mr. JAVITS. Mr. President, the coming vote is not a test for the Consumer Protection Agency bill, it is a test for the Senate because, Mr. President, the question is whether the Constitution is amended so that one-third of the Senate decides whether we shall legislate or not legislate.

It has always been said here that when an overwhelming majority of the Senate wants something, it is going to get it. Well, Mr. President, 64 Members out of 100 want this bill. Certainly we shall see now whether the Senate is able to vote its will or whether it is tied up in its own bureaucracy and its own rules so that it cannot.

Mr. President, I welcome very much the words "I am persuaded." I think they are the proudest words in the language. I wish to commend the remarkably statesmanlike action of Senator DOLE and other Senators—I do not want to name them, because that might in some way anticipate their vote and they may change their view. But our effort, Mr. President, has certainly been to make this legislation a better bill. It has been to make this a piece of legislation in which the men who are going to support it now on this vote can have confidence.

I think, Mr. President, it is epitomized best by the statement of ABC commentator Howard K. Smith last night: "It

will have no special power," he says of the Agency, "except to ask questions about goods and prices and argue for the consumer."

That is it, period. It will be the job of those of us who fought so hard for this bill and for the entire Congress to monitor this agency to see that that particular commitment—and I consider it a commitment—is performed.

I again wish to commend my colleagues who have worked so hard to achieve success in our long effort to create this agency—in the face of an extraordinary lobbying effort on the other side. Senators RIBICOFF, PERCY, MAGNUSON, and CRANSTON have done an outstanding job. I repeat that Senator DOLE's compromise amendment was critically important.

Finally, Mr. President, this is the age of the consumer. Ours is a consumer society. While it is a fact that every department and agency is supposed to look after the public, the fact is that what is the job of many is the job of none, and that is the way it has worked. We are consolidating many important consumer activities of the Government in this agency and creating a strong voice for the consumer.

Mr. President, I hope very much that this is that happy day for the millions of American consumers. I hope that after 5 long years of debate and delay, a majority of the Senate will prevail, and there is no question about the fact that the millions of Americans who are consumers will prevail, too.

I thank my colleague for yielding.

The PRESIDING OFFICER. Who yields time?

Mr. ALLEN. Mr. President, how much time remains to the Senator from Alabama?

The PRESIDING OFFICER. There are 5 minutes remaining.

Mr. ALLEN. I yield 3 minutes to the distinguished Senator from Ohio (Mr. TAFT).

Mr. TAFT. Mr. President, I wish to make a few comments on the remarks of the distinguished Senator from Kansas with regard to the amendment No. 1817 to which he refers. I am sorry he is not on the floor at the moment, but I think the distinguished Senator from North Carolina has made the point very well of what is likely to happen to that amendment if it even gets so far as the conference. I view it as sort of a nice, fat water buffalo wandering into that lion's den. I do not think the tracks are going to be coming back out again.

Even if it should come back, let the Senate not be deluded about the effect of the so-called Dole substitute. It is still subject to the same objection, that it rejects the basic premise that those who have a duty to act for the public, the consumer, which is everybody in the regulatory agencies—the FTC, the FPC, the ICC—all of these agencies have a duty not only to act for the consumer but for the entire public.

When the distinguished Senator from New York says that we are going to wrap all consumer protection into one agency, Lord help us if that is true. The fact of the matter is that every public agency we have ought to be worrying about the consumer. If they are not, it is our duty to straighten it out to see that they do worry about the consumer.

Moreover, the compromise would still limit the President's removal power. The compromise would still limit the Presidents removal power over the single ACA administrator to the grounds reserved for the multimember regulatory agencies those being inefficiency, neglect of duty or malfeasance in office. (Sec. 3(a).)

The President effectively has no control over this man.

The bill would retain the right to intervene as a party in any Federal agency proceeding whenever the Administrator of the ACA determines that the result of the activity may substantially affect an interest of consumers. This, as I indicated at great length earlier in the discussions on this bill, I think would paralyze the regulatory agencies.

Moreover, the compromise still contains an interrogatory function for the ACA which Senator DOLE claims is no longer independent. He says it is derivative, and interrogatories must be submitted through the Federal agency involved.

The compromise empowers the ACA to seek enforcement proceedings of the Agency's refusal to transmit interrogatories.

The bill continues to contain certain unconscionable, I think, exemptions by taking the House bills exemption provision, deleting the exemptions for national security and intelligence functions of the State Department, and adding the current exemptions for labor and TV broadcasters that appear in S. 707. (Sec. 17.)

For all these reasons, I do not believe the bill is the answer in that it does not do away with many of the deficiencies of the bill.

The PRESIDING OFFICER. Who yields time?

Mr. ALLEN. How much time does the Senator from New York desire?

Mr. BUCKLEY. A minute and a half.

Mr. ALLEN. I yield to the Senator from New York.

Mr. BUCKLEY. Mr. President, I rise again in opposition to what I think is undoubtedly the best-intended but most ill-considered legislation to come before the Senate in the 4 years I have been privileged to be a Member of this body. We have legitimate complaints that consumer-oriented agencies have not been working. What we should do is see that they do work and not try to cover up the whole situation by adding a superlayer that will do nothing but slow down the process, increase costs, limit consumer choice, and, furthermore, mislead the consumer into believing that some general protections will be afforded.

I believe this bill will be seen as nothing short of consumer fraud. We have to understand that there is no such thing as a single consumer interest. Any one of us here, in looking for an automobile, will be looking for safety, or size, or gasoline economy, or some other aspect. To try to pretend that it is possible for one individual to act as the overall czar in determining what is best for each one of us is to try to hope for the impossible.

I believe, Mr. President, that the Senate can best serve the interests of the American people by allowing the debate to continue, so that we may return next year and do something that is sensible, something that will in fact help the consumer, something that will not create an administrative morass that will paralyze our procedures.

Finally, Mr. President, I want to say that I have made a careful analysis of the so-called compromise substitute submitted by the Senator from Kansas (Mr. DOLE).

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

Mr. BUCKLEY. It does nothing, Mr. President, to change of correct the abuses that have so frequently been cited in this body.

The PRESIDING OFFICER. Who yields time?

Mr. RIBICOFF. Mr. President, I yield the remainder of my time to the Senator from Illinois (Mr. PERCY).

Mr. PERCY. Mr. President, I should like to begin by saying I am very grateful indeed for the wonderful help and support that a great number of enlightened businessmen have given to the proponents of this legislation. Further, I commend Virginia Knauer, the President's Assistant for Consumer Affairs, and another wonderful woman—Mrs. Esther Peterson of Giant Foods—for their untiring efforts. I also commend the principal sponsors who have joined me, and whom I have joined, in this effort—namely, the Senator from Connecticut (Mr. RIBICOFF), the Senator from New York (Mr. JAVITS), the Senator from Washington (Mr. MAGNUSON), the Senator from California (Mr. CRANSTON), the Senator from Kentucky (Mr. COOK), and the Senator from Utah (Mr. MOSS)—for their unending work on behalf of this most important piece of consumer legislation ever to be before the Congress.

And, I wish to express my deep appreciation to several colleagues on this side of the aisle for the spirit of compromise in which they have worked to further the interests of the proponents of this legislation, to meet objections, and in support of the legislation. At the head of that list, because of his yeoman efforts on behalf of consumers throughout America is the Senator from Kansas (Mr. DOLE), who has done such an outstanding job. But there are many others, such as the Senator from New Mexico (Mr. DOMENICI), the Senator from Alaska (Mr. STEVENS), the Senator from Vermont (Mr. AIKEN), both Senators from Maryland (Mr. MATHIAS and Mr. BEALL), and others, who have helped immeasurably.

Mr. President, I cannot believe that, at this late date, any of my colleagues could possibly be taken in by the argument advanced by the opponents of this bill that there has been too little time to debate its merits. We have now had Consumer Protection Agency legislation before the Congress for almost 6 years.

We have had this particular piece of legislation in the Senate since mid-July, and yet today, 2 months later, the oppo-

nents are still asking for more debate on the bill.

If we permit that, the bill will have been killed by too much talk about there not having been enough talk.

The time for talking is over. It is now time for action. Whoever was misled earlier by claims that more time was needed to discuss this measure should now see clearly that there has been a deliberate attempt by the opponents to avoid any such discussion of the merits. The sponsors have time and again attempted to have amendments dealt with in due course, but instead the opponents have done everything possible to see to it that those amendments could not be taken up.

And so, what we have is a small group of Senators, backed by one of the most powerful and lavishly financed lobby efforts ever seen on any piece of legislation, frustrating the will of the large majority of the Senate of the United States. They are able to make a laughing stock out of the Senate by completely tying its hands under the pretense that the public interest is served by idle chatter and by the unenlightened and uninformed nature of it.

Some of my former colleagues in business, as of this morning, were phoning me, urging that I vote against this legislation. I know that many of them have not read the bill. I know they are not familiar with its provisions. Yet they were telling me, one of the principal sponsors of the bill, after 4 years of work, to vote against it.

I have spoken to a number of heads of businesses appearing in my office, and in committee sessions, on this legislation. Upon asking them to describe the details of the bill they were speaking against, they have become silent. It is in light of these experiences that I especially appreciate the efforts of those business leaders who have worked with us to give us a finely balanced bill, which is not anti-anything—a bill that I can defend without any qualms.

Have we not had enough of idle chatter? Have we not had enough of long-winded, tiresome, and inaccurate characterizations—even within the last half hour on the floor of the Senate—of what the Agency for Consumer Advocacy is all about?

It is past time to restore dignity to this body by permitting it to discuss and debate the merits of this bill, which is only possible after cloture is voted. It is past time to let the public interest take precedence over the narrow special interests which have combined to literally line halls of the Senate office buildings over the past several weeks with the big-money lobbys that have mispresented this bill from the outset.

Shall we not, once and for all, permit the American consumer to have a voice in the day-to-day deliberations of Government agencies and Federal courts as to matters which affect the fundamental health and safety, and the pocketbooks of each and every buyer of goods and services? Shall we not attempt, through this legislation, to mark the beginning of the end of consumers being taken for a ride and robbed of their dignity and dollars? Shall we not give consumers an equal chance to have their fair say, to express their deeply felt grievances, as to poor quality goods and services? as to bait-and-switch merchandising? as to deceptive packaging? as to misleading warranties and guarantees? as to false and fraudulent advertising?

And shall we not, permit consumers to have a mechanism within Government to express their views and to voice their legitimate concerns as to the cruel inflationary pressures which are preventng consumers from buying or building homes, which are impeding consumers from obtaining needed credit, and which are ravaging the dearly held savings and fixed-income pensions of so many Americans. There can be no more pressing concern, no greater priority, to which the ACA should address itself at this time.

This is what the legislation before us today is all about. And all we are asking of our colleagues to do is to summon up enough fortitude and enough muster to say to the opponents of the bill: prove your case. Only by voting to end this deathly filibuster can we begin to truly deal with the legislation on its merits.

Or, to put it another way, only by tolerating this travesty that argues for more talk, will we succeed in corroborating the view which so many Americans now hold that the Congress is unworthy of respect. For to engage in such obvious sham—to permit a small minority to utterly frustrate the will of the majority of this body and of this country—we will have only corroborated the worst-held fears of many. And in the process, we will have dashed the hopes of so many citizens who thought that, after Watergate, the Congress would initiate steps to reform the agencies and institutions of Government to make them more responsive to the public interest.

An Agency for Consumer Advocacy would do just that. It would make sure that those agencies which we have set up to be the watchdogs of the public interest no longer merely persist as lap dogs for private interests.

As a result of the outstanding efforts of so many of our colleagues, we now have a delicate, refined, balanced measure which is fair to consumers and business alike. To accede to the arguments of the opponents now, is to denigrate the legislative process by which this excellent legislation was arrived at. I know of no better way to frustrate the hopes and spirit of so many Americans—outstanding businessmen and consumers alike, who have rallied to the support of this measure—than to prevent an open and honest debate on the merits of S. 707 by failing to vote cloture at this time.

As I have emphasized time and again, an Agency for Consumer Advocacy would begin to redress the imbalance in the regulatory process which permits the voices of special interests and big money to silence the voices of consumers.

An Agency for Consumer Advocacy would afford consumers a voice in dealing with the No. 1 issue before the country at this time—inflation—and help to put a halt to the unending spiral of prices which undercuts the hard-earned American dollar.

An Agency for Consumer Advocacy would restore integrity to the U.S. economy and to the free enterprise system by helping to restore the bargaining power of consumers when they deal with producers and suppliers of goods and services.

An Agency for Consumer Advocacy would help correct the tarnished image of American business by focusing directly and immediately on the action of those few unscrupulous or callous firms which have held the rest of American industry up to scorn and disrepute.

An Agency for Consumer Advocacy would be a catalyst for timely, effective actions in the public interest by those very Government agencies and bureaucracies which have too often ignored the legitimate health, safety, and economic concerns of American consumers in every region of the country and from every walk of life.

Mr. President, this filibuster must be stopped, and stopped now. A reasonable time has expired for so-called extended debate. The bill has been debated in committees and on the floor since 1970. It is time now to allow any amendments to be voted up or down and to permit the measure to be voted up or down. Accordingly, I urge an "aye" vote so that we may limit further debate to a maximum of 100 hours.

Mr. President, I ask unanimous consent to have printed in the RECORD an editorial entitled "A Crucial Vote for Consumers," published in today's Washington Post, and an editorial entitled "Consumer's Last Chance," published in today's New York Times.

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

[From the Washington Post, Sept. 19, 1974]

A CRUCIAL VOTE FOR CONSUMERS

It is usually three strikes and you're out, but today the Senate has scheduled a fourth try to offer help to consumers where it is needed. At issue is the creation of the Agency for Consumer Advocacy. Obstructionists, rallied by Sen. James B. Allen (D.-Ala.), have been filibustering the bill since mid-July. Unfortunately, the Senate has let them get away with it. Three efforts have been made to end the stalling, but by ten, seven and four votes, each cloture motion failed to gain the needed two-thirds of the Senate.

It is not the bill that has failed so far; it is the Senate. The House has already passed legislation for the agency by a forceful 293 to 94 vote. In 1970, the Senate itself gave its approval in an even stronger vote of 74 to 4. In addition, as a letter from Ralph Nader on the opposite page notes, many in the business community support this year's bill. It appears clear from these facts that the merits of the legislation have been well debated and that the will of Congress is on the side of this proposed non-regulatory agency. It is ironic that the opponents of this agency have no other weapon—not the facts, not public support—except that of talk. They refuse to give the other side a voice, which would be exactly one of the main functions of the new agency: giving the consumer a voice in the government and in the courts.

So the issue now is whether the Senate, with already a majority of 60-plus members in favor of the bill, will allow itself to be manipulated by a minority of its members. After the recent shames that American politics has had to endure, it

might be thought that the Senate would be eager to act on behalf of the consumer's interest, rather than line up for a private interest. Because the vote today is expected to be close, success for either side may involve the basic tactic of "getting out the vote." No doubt, many of those who have stood with the bill all along are now weary or bored with the struggle. But there is nothing more politically useful for these Senate supporters than to be present today to end the filibuster. The few votes that may be picked up by their presence might be just enough to provide the opportunity for this important measure to be judged on its merits rather than on the capacity of a few senators to talk it to death.

[From the New York Times, Sept. 19, 1974]

CONSUMER'S LAST CHANCE

With commendable perseverance, a bipartisan majority of the Senate plans a fourth attempt today to break a technical filibuster to prevent establishment of a Federal consumer advocacy agency. This minimal step toward protection of consumer interests has already been approved overwhelmingly in the House, and opposition to it has eroded significantly even in the Senate, where cloture was defeated last month by only three votes.

The arguments have been hashed and rehashed throughout the summer's debates. The point seems finally to be getting through that the proposed agency would not be some kind of super regulatory body; it would simply be positioned to inject a variety of consumer viewpoints, alongside the well-conveyed business and trade association arguments, before Federal regulatory proceedings.

A growing number of corporations has come out in support of the bill, undermining the charge that the measure would necessarily be harmful to American business. Reservations raised by such influential but undecided Senators as Howard H. Baker Jr., of Tennessee have been heeded and their suggested changes willingly incorporated into the final version awaiting passage.

It is inconceivable that a few still wavering Senators could want to face their constituents to explain why they let a diehard minority of the Senate frustrate long-pending legislation of such broad public interest and benefit.

CLOTURE MOTION

The PRESIDING OFFICER. The time for debate under the unanimous-consent agreement having expired, pursuant to rule XXII, the Chair lays before the Senate the pending cloture motion, which the clerk will state.

The second assistant legislative clerk read as follows:

CLOTURE MOTION

We, the undersigned Senators, in accordance with the provisions of Rule XXII of the Standing Rules of the Senate, hereby move to bring to a close the debate upon the bill, S. 707, to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants, in order to protect and serve the interests of consumers, and for other purposes.

Abraham Ribicoff.
Gaylord Nelson.
Edmund S. Muskie.
Harrison A. Williams.
Warren G. Magnuson.
Frank E. Moss.
Henry M. Jackson.
Mark Hatfield.
Floyd K. Haskell.
Philip A. Hart.
James Abourezk.
Edward M. Kennedy.
Jacob K. Javits.
Mike Mansfield.
Joseph R. Biden, Jr.
Robert C. Byrd.
Walter F. Mondale.
Clifford P. Case.
Charles McC. Mathias, Jr.
Thomas F. Eagleton.

CALL OF THE ROLL

The PRESIDING OFFICER. Pursuant to rule XXII, the Chair now directs the clerk to call the roll to ascertain the presence of a quorum.

The second assistant legislative clerk called the roll and the following Senators answered to their names:

[No. 414 Leg.]

Aiken	Dominick	Nelson
Allen	Eagleton	Pearson
Baker	Ervin	Percy
Bartlett	Fannin	Randolph
Beall	Griffin	Scott, Hugh
Bible	Hathaway	Sparkman
Biden	Helms	Stafford
Brooke	Hruska	Stennis
Buckley	Hughes	Stevens
Byrd, Harry F., Jr.	Javits	Taft
Byrd, Robert C.	Mansfield	Talmadge
Cook	McClure	Tower
Cranston	McIntyre	Weicker
Curtis	Metcalf	Young
Dole	Mondale	
	Moss	

The PRESIDING OFFICER. A quorum is not present.

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

The motion was agreed to.

The PRESIDING OFFICER. The Sergeant at Arms will execute the order of the Senate.

After some delay, the following Senators entered the Chamber and answered to their names:

Abourezk	Hansen	Mondale
Bayh	Hart	Muskie
Bellmon	Hartke	Nunn
Bennett	Haskell	Packwood
Bentsen	Hatfield	Pastore
Brock	Hollings	Pell
Burdick	Huddleston	Proxmire
Cannon	Humphrey	Randolph
Case	Inouye	Roth
Chiles	Jackson	Schweiker
Church	Johnston	Scott, William L.
Clark	Long	Stevenson
Cotton	Magnuson	Symington
Domenici	Mathias	Thurmond
Eastland	McClellan	Tunney
Fong	McGee	Williams
Goldwater	McGovern	
Gravel	Metzenbaum	
Gurney		

The PRESIDING OFFICER. A quorum is present.

VOTE

The PRESIDING OFFICER. The question is, Is it the sense of the Senate that debate on the bill—S. 707—to establish a Council of Consumer Advisers in the Executive Office of the President, to establish an independent Consumer Protection Agency, and to authorize a program of grants, in order to protect and serve the interests of consumers, and for other purposes, shall be brought to a close?

The yeas and nays are mandatory under the rule.

The clerk will call the roll.

The legislative clerk called the roll.

Mr. GURNEY. Regular order, Mr. President.

Mr. ALLEN. Regular order, Mr. President.

The PRESIDING OFFICER. Regular order is called for.

Mr. ROBERT C. BYRD. Mr. President, may we have order in the Senate preceding and following announcement of the vote, and in the galleries?

The PRESIDING OFFICER. The Senate will be in order and the galleries also will be in order.

The legislative clerk resumed and concluded the call of the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Arkansas (Mr. FULBRIGHT) and the Senator from Massachusetts (Mr. KENNEDY), are necessarily absent.

I further announce that, if present and voting, the Senator for Massachusetts (Mr. KENNEDY), would vote "yea."

The yeas and nays resulted—yeas 64, nays 34, as follows:

[No. 415 Leg.]

YEAS—64

Abourezk	Hartke	Muskie
Aiken	Haskell	Nelson
Bayh	Hatfield	Packwood
Beall	Hathaway	Pastore
Bentsen	Hollings	Pearson
Biden	Huddleston	Pell
Brooke	Hughes	Percy
Burdick	Humphrey	Proxmire
Byrd, Robert C.	Inouye	Randolph
Cannon	Jackson	Ribicoff
Case	Javits	Roth
Chiles	Magnuson	Schweiker
Church	Mansfield	Scott, Hugh
Clark	Mathias	Stafford
Cook	McGee	Stevens
Cranston	McGovern	Stevenson
Dole	McIntyre	Symington
Domenici	Metcalf	Tunney
Eagleton	Metzenbaum	Weicker
Fong	Mondale	Williams
Gravel	Montoya	
Hart	Moss	

NAYS—34

Allen	Dominick	McClellan
Baker	Eastland	McClure
Bartlett	Ervin	Nunn
Bellmon	Fannin	Scott, William L.
Bennett	Goldwater	Sparkman
Bible	Griffin	Stennis
Brock	Gurney	Taft
Buckley	Hansen	Talmadge
Byrd, Harry F., Jr.	Helms	Thurmond
Cotton	Hruska	Tower
Curtis	Johnston	Young
	Long	

NOT VOTING—2

Fulbright	Kennedy

The PRESIDING OFFICER. On this vote there are 64 yeas and 34 nays. Two-thirds of the Senators present and voting not having voted in the affirmative, the cloture motion is not agreed to.

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

The PRESIDING OFFICER (Mr. HELMS). 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.

ORDER OF BUSINESS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the distinguished Senator from Mississippi (Mr.

STENNIS) be recognized for not to exceed 15 minutes and that following the conclusion of his remarks, S. 3917, a bill to amend and extend the Export-Import Bank Act of 1945, as amended, be made the pending business.

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

Mr. STENNIS. Mr. President, I thank the majority leader.

U.S. NAVAL POWER

Mr. STENNIS. Mr. President, I shall not detain the Senate very long. I have a speech with respect to the Navy—a subject that I think needs to be covered.

As chairman of the Committee on Armed Services, I feel that it is my duty to present some views on the subject of the Navy and our naval power.

Let me say, with emphasis, that the idea of making this speech, on this subject, is solely mine and the content is solely mine. I did confer somewhat with the Navy as to the meaning and possible interpretation of certain sentences with respect to the subject matter I wanted to cover.

Mr. President, as the Congress concludes action on both the authorization and appropriation legislation for the Department of Defense, a discussion of U.S. sea power is timely—particularly as to how the U.S. Navy compares with the Soviet Navy. Recent reports, publications and statements have suggested that the balance of naval power between the United States and Russia has shifted in favor of the Russians. A variety of sources have charged that the Soviet Navy should be rated above the American Navy.

As chairman of the Armed Services Committee, I feel it is my duty to present my own views on this important matter. Let me emphasize that as a longtime member of our committee, I have never known of any U.S. plans or any desire to wage aggressive war against Russia or any other Nation.

MY GENERAL VIEW

The question of the capabilities of American and Soviet sea power—that is which side might be superior in various types of engagements—is highly complex depending on many variables and circumstances. At the outset, however, I state that the alarmist charges and speculation on the weakness of U.S. sea power greatly disturb me. I think the thrust of these charges is false. Moreover, these charges can be dangerous since they undermine U.S. naval power in the eyes of our allies, our own seamen, and the American people and could encourage the Soviet Navy to react recklessly or belligerently.

In my view I think we must admit that the U.S. Navy faces some difficult problems. However, based on current forces and the progress we are presently making, the U.S. Navy is without doubt superior to the Russian Navy. On a navy-to-navy basis, the Soviet Navy does not match the capability of the U.S. Navy. The U.S. Navy should be able to fulfill its missions, both now and in the foreseeable future, except under the most adverse and extreme circumstances such as being subject to massive land-based air attack without sufficient air defense.

I cover that part, Mr. President, because that is a possibility that always has existed since there was modern air power, and it is something of a trap that is obvious if we should go into an area where we know the great odds are against us. For instance, during World War II, we did not venture close to the enemy's coastline until the war was virtually over.

NUCLEAR CONFLICT NOT AN ISSUE

Mr. President, should there be an all-out nuclear war, who and what will survive on either side are impossible to predict. Very likely a large portion of all military and naval forces on both sides, as well as civilian populations will be destroyed. The issue of comparative naval power therefore has focused largely on conventional naval forces.

I would interject that as far as nuclear conflict is concerned the United States would by no means be second best. The United States and the Soviet Union have a vast arsenal of submarine-launched ballistic missiles and the submarines launching these missiles are virtually invulnerable on both sides. The Trident submarines, with unmatched capability, will become operational by 1980. I see no danger in the near future of U.S. Strategic Naval Forces being put in jeopardy.

HISTORICAL BACKGROUND

No meaningful discussion of conventional power is possible without an appreciation of certain historical developments in the United States and Soviet navies.

U.S. NAVY—WORLD WAR II TO PRESENT

Mr. President, the U.S. Navy will probably never enjoy the status it had at the immediate end of World War II. At that time it outnumbered and was superior to all other navies. It displayed a substantial naval presence throughout the world and had a global capability to sustain itself. In short the U.S. Navy exercised uninhibited command of the seas.

Despite its World War II preeminence, however, the U.S. Navy, even at that time, was subject to significant limitations. During World War II, U.S. carrier forces could not operate within 100 miles of Japan until the last few months of the war. U.S. carrier forces never operated in the Baltic Sea and operated only to a limited degree in the Mediterranean Sea prior to the final stages of the war. U.S. surface ships could operate within range of an enemy land-based aircraft only at great risk. These same inherent type of limitations apply to the U.S. Navy today.

Since World War II the U.S. Navy has undergone dramatic improvements. The U.S. carrier force has been modernized with the introduction of the Forrestal class carrier. This was followed by a nuclear carrier program, of which one is now operational and three are under construction. Accompanying this carrier modernization program was a program to provide nuclear escorts such as the nuclear frigates. Approximately 60 destroyer escorts have been built and a 30-ship destroyer program was started in the late 1960's. Throughout this period, the United States has vigorously pursued a program leading to an all nuclear attack submarine force. Similarly, support forces have been continuously modernized and upgraded during the 1950's and 1960's. With the strong support of the Congress, the U.S. Navy has continually modernized as new technologies and new weapons were developed.

SOVIET NAVY—WORLD WAR II TO PRESENT

Mr. President, throughout World War II it is accurate to say that the Soviets did not possess a sea-going navy. The primary purpose of the Soviet fleet was coastal protection and support of Soviet land forces. Even though the Russians had a great many submarines during World War II, they were limited in capability. The Russians could not project naval power away from their own shores, lacking aircover and logistical support, both of which are necessary for effective fleet operation.

There were sound reasons for this limited type of Soviet naval strategy. As a continental power the Soviet Union was and remains largely self-dependent economically and is land-connected with its allies.

During the 1950's in order to project their political power abroad and other foreign policy reasons the Soviets began to build a navy which could be deployed far from their shores. Not until 1960's did they begin any significant deployment of Soviet Navy units. At this time the Soviets began deployments to the Mediterranean and occasionally to the Caribbean and Indian Ocean.

Given its meager position after World War II, the Soviet Navy inevitably made greater progress than the United States in improving its naval power; yet, this is not to say that by any means the relative positions of the two navies have been reversed.

I cover those matters, Mr. President, because so many statements have been made which seek to make comparisons—statements that I think fall short of being complete and, therefore, carry the wrong impression.

REASONS WHY THE U.S. NAVAL POWER IS NOT INFERIOR

I should like to address, in turn, some of the charges and criticisms that have been recently leveled against the U.S. Navy. Because of the differing missions and structural asymmetry of the United States and Soviet navies, statistical comparisons between the two navies are inherently misleading. I shall not attempt to demonstrate through a "numbers game" that one Navy is superior to the other. Nevertheless I would like to comment on some of the statistical charges and comparisons that have received so much recent attention.

First. One criticism of the U.S. Navy is that the Soviet Navy has roughly four times the number of ships as the U.S. Navy.

In comparing navies, the number of ships alone is misleading; tonnage and capability must also be considered. Many of the Soviet ships are small, coastal defense vessels which can pose no substantial threat in the oceans of the world.

The United States has over twice the tonnage of the Soviet Navy in major surface combatants. The U.S. carrier force alone represents more tonnage than the entire Soviet fleet of major surface combatants. When the allied navies are compared to the Soviet Navy, the allies have better than a 3-to-1 advantage in tonnage for major surface combatants.

Admiral Zumwalt, former Chief of Naval Operations, in testimony to the *Senate Armed* Services Committee this year reaffirmed that "on a side-by-side basis, the Soviet Navy does not match the capability of the U.S. Navy."

Second. It has been stated that there has been a dramatic decrease in the number of U.S. ships during the last 5 years and this has resulted in a reduction of U.S. naval capability.

Again this statement is misleading. The reduction in U.S. ships was carefully planned and coordinated with the Congress; the retired ships were largely obsolete and are being replaced by modern ships of much greater capability. In general, our existing combatant ships have more range and weapons per ship than their Soviet counterparts—one of our nuclear attack carriers contains more explosive charge potential, that is more munitions, than the entire Soviet surface fleet of ships 1,000 tons or more.

Third. It has been stated that the average age of Soviet ships is 13 years while the average age of U.S. ships is approximately 15 years.

The United States has recently retired a large number of World War II ships while the Soviet Union will soon be faced with block obsolescence of large numbers of ships constructed during the 1950's.

In the near future, the age differential between the two navies will continue to narrow. By 1980, the average age of U.S. combatants will approach 10 years.

Fourth. It has also been stated that during the 10-year period from 1962 to 1972, the Russians built approximately three times as many ships as the United States.

In response, it should be emphasized that the Russians have built just slightly more than the United States in the area of major surface combatants. In terms of tonnage of major surface combatants, the United States has outbuilt the Soviet Navy. Moreover our allies have been building major surface combatants at almost the same rate as the United States. Hence, together the United States and its allies have greatly outbuilt the Soviets.

With the programs presently authorized by Congress, deliveries of new U.S. warships and submarines will accelerate in the near future. Soviet deliveries of new ships have been relatively constant since the late 1960's. There is no evidence that their shipbuilding rates or shipbuilding capacity will increase in the near future.

It is estimated that the Soviet Union devotes approximately 10 percent of its defense budget to its naval forces; the United States has consistently devoted somewhat over 30 percent of its defense budget to naval forces.

COMPARISON OF PRESENT NAVIES

None of the statistical comparisons either taken alone or collectively can be decisive in assessing the United States and Soviet navies. Rather one should more appropriately focus on the operational strengths and weaknesses of each Navy.

SOVIET NAVY

Soviet naval missions and capabilities have expanded. The Soviets have greatly increased and improved their nuclear attack submarine force—the greatest single naval threat to the U.S. Navy. This has enhanced the Soviet ability to interdict U.S. sea lines of communications and supply routes. Indeed it has increased the Soviet Navy's overall ability in the mission of sea denial, that is, preventing the U.S. Navy from carrying out its missions at sea.

The Soviet Navy has developed an impressive cruise missile capability which has substantially added to the fire power that can be brought to bear against a U.S. surface fleet. The Soviet Navy has increased its deployment and sustaining capability. In addition, the Soviet Navy has established a significant naval presence in the Mediterranean Sea. This naval presence is giving the Soviets a new ability to insert themselves in crisis situations; for example, the Middle East, Cyprus, et cetra.

At the same time, there are at least two very important limitations on the Soviet Navy.

The Soviet Navy is unable to project a formidable offensive capability. The Soviet Navy has no significant sea-based air power and no major amphibious assault forces. Although the Soviets are constructing an aircraft carrier, it lacks the capability of an attack carrier and could probably be categorized as a noncombatant. Several other navies of the world have attack carriers and hence a greater strike capability than the Soviets in this area. The British and French have particularly effective carrier forces.

Second, the Soviet Navy has no significant sustaining capability for operations in areas outside the Mediterrean Sea.

U.S. NAVY

The missions of the U.S. Navy have always been broader than the Soviet Navy.

The U.S. Navy has an extensive base structure in both the Atlantic and the Pacific. The U.S. Navy enjoys critical advantages in resupply, endurance and reload capability. The Vietnam experience again highlighted with great emphasis the staying ability of the U.S. Navy.

The U.S. Navy personnel are combat-experienced in virtually all aspects of seapower. The U.S. Marine Corps represents a seasoned amphibious assault capability that is without peer.

The U.S. Navy has a carrier force that is unmatched. The capability of the carrier task force with its variety of air power makes it by far the most potent strike force on the seas. The carrier task force is the embodiment of U.S. naval power and provides the most visible and credible reminder of U.S. military presence. The U.S. Navy has the capability to achieve local dominance of sea lanes and areas. The United States has a sophisticated and comprehensive surveillance and antisubmarine capability. Unquestionably, the U.S. Navy can operate in major sea lanes without substantial interference from Soviet surface combatants.

Nevertheless there remain certain limitations on the operational capability of the U.S. Navy. U.S. carrier forces can operate in high threat areas only at great risk. U.S. carriers are especially vulnerable to the threat of Soviet landbased aircraft. Under "worst case" assumptions, such as a coordinated surprise attack by enemy landbased aircraft, surface combatants and submarines, U.S. carriers might well be overcome in the Mediterranean. Yet U.S. carrier vulnerability in the Mediterranean under "worst case" circumstances does not mean that the U.S. naval capability in the Mediterranean is inferior to the Soviet capability.

The U.S. Navy's ability to protect supply convoys in wartime could be jeopardized by the Soviet submarine forces. Inevitably at the outset of a conflict U.S. shipping losses would be substantial. Nevertheless, when predeployments and airlift are combined with the antisubmarine forces of the U.S. Navy, I believe the United States could withstand the Soviet submarine threat and provide sufficient resupply to United States and allied forces in an extended conflict in Europe.

Despite the limitations to the U.S. Navy resulting from a formidable Soviet threat, the U.S. Navy should on balance be able to fulfill all of its essential missions, particularly in light of what can be expected to be the circumstances of naval engagements.

It is likely that any major naval engagement will involve other components of the Armed Forces. Land-based aircraft as well as ground forces will necessarily affect any engagement at sea. The U.S. Navy can be expected to operate in full coordination with all U.S. Armed Forces.

Any major naval engagement would inevitably include the naval forces of our allies operating in conjunction with U.S. naval forces. Collectively the navies of our allies represent a balanced and formidable force which should be considered in overall seapower assessments. The NATO allies could provide over 88 major surface combatants, including three attack aircraft carriers.

FUTURE PROSPECTS

Congress has authorized a range of programs for the Navy which will continue the modernization and augment the strength of our naval forces. Congress has authorized and financed 4 of an expected 50 ship patrol frigate program which is expected to be continued next year. This program is designed to and will strengthen the escort of convoys. The Harpoon missile program will provide and enhance antisurface ship capability. In the area of aircraft, the high performance F–14 fighter is now entering the fleet; it will be added to each year and will provide more complete overall fleet air defense. Similarly, the introduction and building of the S–3A, a new antisubmarine aircraft, will significantly augument our carrier antisubmarine capability. At the same time the nuclear attack submarine program

of building several each year will be continued.

In addition, the Navy, along with the Congress, has been exploring new concepts to further strengthen our forces. One example is the so-called surface effect ship.

Our allies can and should be expected to make a continuing contribution to naval force at approximately the same level as the U.S. contribution.

To be sure, financial pressures are continuing; inflation will cause inevitable cost growth. Technically sophisticated and more powerful weapons systems will raise cost geometrically. Moreover, the U.S. Navy will experience increased competition for shipbuilding capacity from commercial shipping. We can and we shall meet this challenge.

The U.S. Navy will have to accommodate higher costs without sacrificing sufficient numbers of new naval vessels.

The Navy, just as our Army and Air Force must always meet changing times. It must meet the challenge of exchanging high performance, high cost of vessels for greater numbers of lower cost, lower performance vessels. The carrier, because of its high construction cost and potential future vulnerability, must be constantly evaluated as the dominant component of U.S. naval power. The U.S. Navy may have to reconsider present deployment strategies to compensate for fewer numbers of vessels.

CONCLUSION

Mr. President, of course, I speak as one who is not a naval expert. I do speak as one who is responsible to the American people, who are entitled to know the facts. I think that for some time those who are overzealous or overconcerned or have something to sell, have oversold the strength of our possible adversaries and have undersold our own strength. This is a cause for discouragement to our own people and to our own naval men at sea. It is certainly an encouragement to our possible adversaries.

Although the Soviet Navy is making it increasingly difficult, the U.S. Navy can presently carry out all of its essential missions. The U.S. Navy has the greatest capability of any Navy in the world. It symbolizes the strongest guarantee of freedom on the high seas. It is our greatest deterrent. Through the continuing efforts and commitment of the American people, its deterrent power will remain unsurpassed.

Mr. President, I do not accept the myth of a second-class U.S. Navy.

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

Mr. STENNIS. Mr. President, again I thank Senators for their attention.

EXPORT-IMPORT BANK AMENDMENTS OF 1974

The PRESIDING OFFICER (Mr. HELMS). Under the previous order, the Chair lays before the Senate S. 3917, which the clerk will state.

The legislative clerk read as follows:

A bill (S. 3917) to amend and extend the Export-Import Bank Act of 1945, as amended, and for other purposes.

The PRESIDING OFFICER. Under the previous order, there is a time limitation of 3 hours on the bill, with 1 hour on amendments, 30 minutes on amendments to amendments, and 20 minutes on debatable motions and appeals.

Who yields time?

Mr. STEVENSON. Mr. President, I ask unanimous consent that the following members of my staff, Senator JACKSON's staff, and the staff of the Committee on Banking, Housing and Urban Affairs be granted the privilege of the floor during the consideration of this measure and any votes thereon:

Charles Levy, Bill Staszak, June Roth, Charles Horner, Richard Perle, Dudley O'Neal, Kin McLean, Steve Paradise, Carolyn Jordan, William Weber, Stan Marcus, Howard Beasley, Edward Kemp, Anthony Cluff, Pat Abshire, and Eleanor Bachrach.

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

Mr. STEVENSON. Mr. President, I yield myself such time as I may require.

S. 3917 is the culmination of a lengthy reexamination of the Export-Import Bank and its role in U.S. economic and foreign policy. Together with an amendment which Senator PACKWOOD and I will offer today, the bill will improve the capacity of the Bank to respond to changing economic and political conditions, make it more responsive to U.S. domestic and international interests, and insure that it serves the interests of the American people efficiently and effectively.

In recent years the Bank's prominence has grown as international economic interdependence has grown. Export policy has become a vital part of domestic economic policy. International trade and finance now play critical roles in worldwide growth and development. And economic policy has become an integral part of foreign policy. With such crucial issues as détente, shortages, inflation, balance of payments, and the allocation of scarce public resources now confronting the United States and the world community, there is every reason to focus attention on the multibillion dollar operations of the Export-Import Bank. The Bank itself under the direction of Chairman Casey is moving with commendable dispatch to increase interest rates, rely to a greater extent on loan guarantees, open its operations, to greater congressional scrutiny and in other ways to respond to emerging realities at home and in the world.

In the course of extensive hearings on the Bank, the International Finance Subcommittee explored such questions as:

The impact of flexible and floating exchange rates on the need for Export-Import Bank financing;

The consequences of public export financing for the American economy as a whole;

The impact of Exim export assistance on American labor and industry and the availability of goods which are in short supply;

The effectiveness of the Bank in stimulating U.S. exports;

How to respond to foreign government export assistance;

The role of private financing in Export-Import Bank activities;

The access of small businesses Export-Import Bank assistance; and

The role of the Export-Import Bank in U.S. foreign policy, with special attention on relations with the Soviet Union.

S. 3917, with the Stevenson-Packwood amendment supported by Senators JACKSON, RIBICOFF, JAVITS, CRANSTON, MONDALE, TOWER, BENNETT, MCINTYRE, JOHNSTON, HUMPHREY and others will help to resolve many of the issues generated by the Bank's operators. Included are provisions for:

A 4-year extension of the Bank's life;

An increase of $5 billion or $25 billion in the Bank's overall commitment authority;

An opportunity through prenotification for congressional review of major Exim transactions;

Careful assessment of the impact of Export-Import Bank financing on the U.S. economy, including competition, shortages, and employment;

A $300 million ceiling on new authority for financing of benefit to the Soviet Union;

A 2-year limit on authority for Communist country transactions, with provision for specific Presidential determination that major Communist country transactions are in the national interest;

Greater reliance on private participation in Exim-assisted transactions;

Increased flexibility in the Bank's guarantee and insurance authority;

A reduction in international export credit competition;

Increased participation by small businesses in the activities of the Bank;

A prohibition on Export-Import Bank financing for sales of military articles and services; and

Increased scrutiny of Export-Import Bank financing for parent-subsidiary transaction.

EXPORT-IMPORT BANK POWERS

AUTHORITY TO INSURE, COINSURE, AND REINSURE

Under present law, the Bank's authority to insure, coinsure, and reinsure exporters against political and credit risks of loss is limited to $10 billion in the aggregate. In addition, present law limits the amount of guarantees and insurance which can be charged on a fractional basis to $10 billion.

S. 3917 would remove these limitations on the Bank's insurance and guarantee authority. Section 2(1) of the bill would place the Bank's insurance authority under the general powers section of the Export-Import Bank Act. Section 7 of the bill would remove the $10 billion ceiling on the Bank's insurance authority and would increase the amount of guarantees and insurance which may be charged on a fractional basis from $10 to $20 billion. The effect will be to permit all of the Bank's authority to be used for guarantees and insurance and up to $20 billion of that to be charged on a fractional basis.

Taken together, these changes will permit the Bank to place greater reli-

ance on guarantees and insurance and reduced reliance on direct loans in providing export assistance. It will permit the Bank's resources to go further and increase the participation of private loan funds in U.S. export transactions. Both changes are highly desirable, particularly under current conditions of domestic capital shortage and record high interest rates.

AUTHORITY TO ENGAGE PRIVATE COUNSEL

Section 2(2) of the bill would amend the act to permit the Bank to contract for legal representation in legal and arbitration proceedings outside the United States. Presently, neither the Bank nor Justice Department attorneys are permitted to appear on behalf of the Bank abroad.

While the Export-Import Bank now employs foreign counsel after obtaining a waiver from the Justice Department, there is some question as to whether the Justice Department possesses the necessary authority to provide such a waiver. This amendment would clarify the situation. However, it is expected that the Bank will exercise this new authority only to employ foreign counsel, not U.S. attorneys, and to make maximum possible use of the resources of the Justice Department.

AUTHORITY TO ARRANGE FOR PRIVATE PUBLICATION

Section 2(3) of the bill would further amend the act to permit the Bank to arrange for private publication of documents, reports, contracts, and other materials rather than using the Government Printing Office when GPO publication is impracticable.

The committee was advised by the Bank that it is occasionally impossible to secure GPO publication in sufficient time for the Bank to fulfill its responsibilities. The authority conveyed by this section is intended to permit private publication in such circumstances. It is expected, however, that principal reliance will continue to be placed on the GPO, and private publication will be utilized only as a last resort.

OPERATING POLICY

Section 3 of the bill would amend the act to make several technical changes in the law as well as a number of major substantive changes in the Bank's policy guidelines.

COMPETITION WITH FOREIGN GOVERNMENT SUPPORTED EXPORT CREDIT

Under existing law, the Bank is "directed" to provide export credit at rates and on terms and conditions which are competitive with Government-supported credit available from other countries. Under the bill, the Bank's authority to meet foreign government-supported export credit would be made permissive instead of mandatory.

Competition among Government export credit agencies should be discouraged, not stimulated. Attempts to outdo each other are counterproductive. They create conditions conducive to export credit wars.

In the long run, no one gains from such competition. Below market export credit constitutes a subsidy to both the seller and purchaser, distorts capital allocation, and can reduce foreign exchange earnings.

It is for these reasons that removal of the Bank's general mandate to meet all foreign credit competition is desirable. The Bank, as a matter of policy, should attempt to discourage international credit competition, not foster it. Under the bill, the Bank would retain its authority to meet foreign competition in those specific instances where an export sale would be lost to a foreign exporter because the buyer can obtain more favorable credit terms for the purchase of comparable goods and services from a foreign government-supported export bank. But as a general policy, it will no longer be subject to a general directive to compete with foreign credit suppliers.

COOPERATION TO MINIMIZE COMPETITION

In conformity with that new policy, section 3 of the bill would add a new mandate to the act to require that the Bank, in cooperation with the export financing instrumentalities of other countries, actively seek to minimize competition in government-supported export financing.

International cooperation offers the best and most realistic vehicle for reducing export credit competition. Absent such cooperation, each exporting nation has an incentive to meet, and indeed better, the credit terms offered by others. No nation can afford to ignore its competition without risking a substantial loss in export sales. But if all nations agree that attempts to outdo each other are self-defeating, the need for export interest rate subsidies would be significantly reduced. Export goods would compete in the international market place on the basis of price, quality, and delivery instead of on the degree of support the government is willing to supply.

SEMIANNUAL REPORTS

To further reflect this new policy, section 3 of the bill would change the current requirement that the Bank report semiannually to the Congress on the ways in which the Bank's credit terms are "equal or superior" to those offered by other governments. Instead, the Bank would be required to show the ways in which the Bank's rates, terms, and other conditions "compare with" those offered by other governments.

This change would remove any implication that the Bank is under a general directive to provide more favorable credit terms than those offered by other countries. Instead, the Bank would be directed to provide an objective analysis of how its credit terms and conditions compare with those available elsewhere, irrespective of whether they are equal, superior, or less favorable.

AVAILABILITY OF PRIVATE FINANCING

Section 3 would further amend the act to add a requirement that Export-Import Bank financing be provided "only to the extent that sufficient private financing is unavailable." The present requirement that the Bank "should supplement and encourage, and not compete with, private capital" would be retained. But it would be amplified to make it clear that Congress intends private capital to play the major role in export financing and that Export-Import Bank assistance should be provided only where, and to the extent, necessary to permit an export sale to occur.

The Export-Import Bank's resources are limited. The Bank's effectiveness can be maximized only if its resources are carefully allocated to those transactions where Exim assistance is essential, such as where private financing is either unavailable or available only on such terms and conditions as preclude the transaction. Even then, Export-Import Bank assistance should be provided only in such amounts as may be necessary to make up for the private financing deficiency.

The International Finance Subcommittee received testimony from the General Accounting Office that Export-Import Bank's internal procedures are inadequate to determine the extent of the need for Exim credit in any given instance. The GAO acknowledged that no system can be devised to provide absolute assurance that regular commercial financing is unavailable or that Export-Import Bank assistance is a crucial factor in influencing a given sale. However, improvement can be made, and by this amendment the Bank is expected to establish procedures to insure that Exim assistance is not provided unnecessarily, such as might be the case with respect to goods and services for which there is no substantial foreign competition or where sufficient private capital is available to finance a given transaction. The Bank is also expected to review its policies and internal procedures carefully and make appropriate changes.

With respect to terms, the Bank has for years maintained a policy of providing half the necessary loan funds in each export financing package participated in by the Bank. Thus, regardless of variations in circumstances or need, the foreign buyers would invariably receive half of his required loan funds at the favorable rates provided by the Export-Import Bank. Moreover, the required down payment also remained fixed at 10 percent of the total export cost.

In the International Finance Subcommittee's hearings on the Export-Import Bank, the need for, and wisdom of, this policy was questioned. Such fixed arrangements are not only unnecessary but also have the effect of keeping the level of private capital participation in U.S. export sales lower than it otherwise would be. The corollary, of course, is that the level of public funds allocated to export sales is higher than it need be.

Recently, the Bank began to make changes in this practice. Now, both the proportion of Exim participation and the size of the required downpayment vary. Thus, increased reliance will be placed both on the resources of the foreign buyer and the resources of private financial institutions.

It is expected that the Bank will continue the policy of varying financing arrangements to fit the circumstances of each transaction. Even greater flexibility in the level of loan participation and the size of downpayments may be possible. The goal of maximum private capital participation in Government-assisted export financing can best be achieved by tailoring each financing package to the needs of the particular transaction. The amendment contained in S. 3917 makes it clear that avenues

for achieving that goal should continue to be explored.

SMALL BUSINESS PARTICIPATION

Section 3 of the bill would add to the act a requirement that the Bank give due consideration to the Small Business Act policy of aiding, consulting, assisting, and protecting the interests of small business concerns. To further that policy, section 3 would require the Board of Directors to designate an officer of the Bank to be responsible for matters concerning or affecting small business concerns. His duties would include responsibility for advising small businesses of Exim Banks opportunities. He would also be responsible for maintaining liaison with the Small Business Administration and other Federal departments and agencies in matters affecting small business concerns. In addition, section 11 of the bill would require that the Banks annual report contain a description of actions taken by the Bank to aid, counsel, assist, and protect the interests of small business concerns. The effect of these amendments will be to increase the sensitivity of the Bank to small business problems and increase its capacity to extend to them the benefits of its programs.

EFFECTS ON THE U.S. ECONOMY

Section 3 of the bill would add to the act a new policy provision that the Bank should not authorize loans, guarantees, or insurance to assist an export which may have serious adverse effects on the competitive position of U.S. industries, the availability of materials which are in short domestic supply, or on U.S. employment. Under existing law, the Bank must merely "take into account" possible adverse effects on the U.S. economy. This does not go far enough.

Export-Import Bank financing may have adverse effects on the competitive position of U.S. industries. For example, the Export-Import Bank assists the financing of aircraft purchases by foreign airlines which are in direct competition with U.S. air carriers. In addition, Exim financing for exports of materials which are in short supply, such as oil refining, drilling, and exploration equipment or for the construction of fertilizer plants abroad at a time when fertilizer is in short supply in the United States may exacerbate domestic shortages. Exim financing for the construction of manufacturing facilities abroad could result in the loss of American jobs.

By enjoining the Bank from assisting exports which may have serious adverse effects on the U.S. economy, this amendment will encourage the Bank to engage in a careful analysis of the consequences of its financing before approving any transaction.

DEFENSE ARTICLES

Section 5 of the bill would amend the act to prohibit Export-Import Bank assistance for sales of defense articles or services. Presently, such assistance is prohibited only with respect to certain economically less developed countries.

No part of the Bank's credit should be used to promote arms sales. Military assistance goes beyond the Bank's intended purposes and utilizes limited credit resources which should be reserved exclusively for civilian export expansion. Moreover, such assistance raises questions which fall within the province of the Departments of State and Defense and not within the province of an export expansion facility. To the extent that military assistance is needed, other governmental programs should be utilized.

INTEREST RATE ON BANK OBLIGATIONS

Section 8 of the bill would amend the act to require the Bank to pay interest on its future borrowings from the U.S. Treasury at a rate not less than the current average yield on outstanding marketable obligations of the United States of comparable maturity during the immediately preceding month. The purpose of this change is to preclude the Bank from raising capital through the Treasury at rates which are lower than the cost of money to the Treasury itself.

EXPIRATION

Section 10 of the bill would extend the life of the Bank for 4 years, to June 30, 1978.

PARENT-SUBSIDIARY TRANSACTIONS

Section 11 of the bill would amend the act to require that the Bank's annual report contain a complete description of all Export-Import Bank loans, guarantees and insurance which assist purchases by the foreign subsidiary or affiliate of an American company. The description is to include the identity and legal relationship of all parties to the transaction, the goods or services exported; the amount of Bank participation and private financing and the terms and conditions thereof; the reasons why Bank participation was needed; the availability of alternative sources of supply for the same or similar goods; and the availability of alternative sources of credit.

This provision is necessary in order to subject Export-Import Bank financed parent-subsidiary transactions to closer scrutiny. Such transactions raise questions about the need for Export-Import Bank credit. In many cases, a controlled subsidiary or affiliated entity might have a distinct preference for the purchase of goods or services from its parent. In such cases, Export-Import Bank financing would not appear to be crucial to the sale or necessary to prevent its being made by a foreign competitor of the parent. To the extent that is true, the extension of Export-Import Bank credit assistance would amount to no more than a gratuity.

On the other hand, there may be circumstances where a foreign subsidiary would turn to a foreign supplier if the benefit of Export-Import Bank credits were not available. In those circumstances, parent-subsidiary financings raise no question of propriety. Therefore, an outright prohibition on parent-subsidiary transactions would be inappropriate at this time. But this provision will insure that those transactions are subjected to closer scrutiny in order to avoid potential abuses and insure that Export-Import Bank financing is provided only where necessary.

BORROWINGS FROM NATIONAL BANKS

Section 12 would amend section 5202 of the Revised Statutes (12 U.S.C. 82 (1970 ed.)) to permit national banks to exclude borrowings from the Export-Import Bank from the limitations on their aggregate indebtedness under the National Bank Act. That law places limits on a national bank's aggregate indebtedness with exceptions for certain kinds of liabilities. These exceptions include liabilities incurred in connection with sales of mortgages or participations therein to the Federal National Mortgage Association, liabilities incurred under the provisions of the Federal Reserve Act and liabilities incurred under the provisions of the Federal Deposit Insurance Act.

In their effort to expand their support of American exports, banks frequently borrow funds from the Export-Import Bank under its discount programs, yet at the present time such borrowings are charged against their overall borrowing authority. In many cases this puts the international departments at a competitive disadvantage with the banks' domestic departments in obtaining allocations of funds.

This exception will provide additional private funds for exports and is in accord with the Export-Import Bank's efforts to encourage greater private bank participation in financing international trade.

The next three provisions are the subject of the Stevenson-Packwood amendment which will be offered later. They relate to congressional oversight of major Eximbank transactions and Exim assistance to the Soviet Union and other Communist countries.

CONGRESSIONAL REVIEW OF MAJOR TRANSACTIONS

Section 5 of the bill would amend the act to subject all proposed Export-Import Bank loans of $50 million or more to congressional review. This is an outgrowth of committee concern about a number of recent multimillion dollar Export-Import Bank credits, many of which involve assistance to major industrial development programs of other nations. The committee believes that such credits should be subject to more careful scrutiny.

Under the new procedure established by section 5 of the bill, the Bank would be required to notify the Congress of all proposed loans of $50 million or more at least 30 days prior to final approval. Within those 30 days, the Congress would have an opportunity to review the transaction and, if warranted, disapprove it. Disapproval would require a majority vote of both Houses. On the other hand, if either of the respective Banking Committees, acting within those 30 days, approved the loan before the full Congress disapproved, the transaction could go forward. By the same token, if the Congress took no action within the allotted 30 days, the transaction could proceed.

These procedures are similar in many ways to those applicable to congressional review of proposed Presidential reorganization plans. The principal difference is the opportunity for the Banking Committee of either House to short-circuit the process by approving the transaction within the 30-day review period and, thus, preclude further congressional consideration of the matter.

AUTHORITY FOR CREDITS TO COMMUNIST COUNTRIES

Section 5 of the bill gives the Congress a yearly opportunity to disapprove Export-Import Bank authority for credits to Communist countries. Under the procedure established by the bill, 3 months prior to the start of any fiscal year, Congress could disapprove the Bank's authority for Communist country transactions for all succeeding years.

Disapproval would require action by both Houses pursuant to the same reorganization act-type procedures applicable to congressional review of proposed $50 million loans. However, unlike the procedures applicable there, the respective Banking Committees would have no right of affirmative approval. Instead, the Bank's authority for Communist country transactions would automatically be extended for each succeeding fiscal year unless both Houses pass a concurrent resolution repealing such authority.

This provision is the outgrowth of a desire to give Congress a better opportunity to review Bank transactions with Communist countries. There is considerable concern about the rapid increase in credits to the Soviet Union in the relatively short period since credits were first extended in February of 1973. In the 14 months from approval of the first $11 million loan for electrical supplies to the recent $180 million chemical complex loan, a total of almost $470 million in loans has been extended to the Soviet Union. Moreover, to date, the total of loans, guarantees, and insurance to the Soviet Union, Yugoslavia, Poland, and Romania combined has amounted to over $1.5 billion, with applications for well over another billion dollars still pending.

Among the pending projects in the Soviet Union are a $110 million oil and gas exploration project in the Yakutzk and a $50 million tractor factory. Two natural gas and pipeline projects, estimated to require over $3 billion in export financing, have been reported as possibilities for assistance, although no application has yet been made to the Bank and indications are that both projects are still in very preliminary stages. For Yugoslavia, Romania, and Poland, the Bank has under consideration over $300 million in additional credits, including credits for nuclear and conventional power projects, computer systems and electronics manufacturing facilities.

Communist country credits deserve careful review. International economic policy can be a powerful instrument of foreign policy. There is an obvious relationship, for example, between détente and the extension of Export-Import Bank credits to the Soviet Union and Eastern Europe. An opportunity for frequent review of authority for Communist country transactions is intended to keep the Congress current with the long-term implications of a massive infusion of credits to the Soviet Union and other Communist countries.

NATIONAL INTEREST DETERMINATION FOR COMMUNIST COUNTRY CREDITS

Section 4 of the bill requires a Presidential finding that Communist country transactions are in the national interest. Current law in this regard is ambiguous.

The General Accounting Office has issued an opinion to the effect that existing law requires a separate national interest determination for each transaction in a Communist country. The Senate, in a recently adopted amendment to the second supplemental appropriations bill, H.R. 14013, expressed agreement with GAO. But the Export-Import Bank and the Attorney General of the United States take the position that existing law requires only a single determination that all credits to a given Communist country are in the national interest. The Bank, accordingly, has extended credits to Communist countries on the basis of national interest determinations on a country basis without the benefit of a separate national interest determination for each transaction.

With one exception, the amendment adopted by the committee in section 4 of the bill would resolve the controversy in favor of existing practice. The exception applies to loans of $40 million or more. For each such loan to a Communist country, a separate national interest determination would be required. Taken together, these changes would require that before any Communist country receive the benefit of Export-Import Bank credits, the President must determine that credits to such country are in the national interest; and for each proposed loan of $40 million or more to that country, the President must determine that that particular loan is in the national interest. In each case, the President's finding must be reported to the Congress either within 30 days of its issuance or on the day the Bank takes final action on the proposed credit, whichever is earlier.

Mr. PACKWOOD. Mr. President, established as part of the executive branch in 1934, the Export-Import Bank has been, since 1945, an independent agency of the Federal Government guided, encouraged, and nurtured by the Congress. As originally stated in the Export-Import Bank Act of 1945, the essential purpose and objective of the Bank is "to aid in financing and to facilitate exports—and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agencies or nationals thereof."[1] That purpose is as valid, the objective as compelling, today as it was nearly three decades ago when first written into the law.

ECONOMIC CONDITIONS

In recommending adoption of what was to become the Export Expansion Finance Act of 1971,[2] the Senate Banking Committee advised the Senate as follows:

> The United States has, over the past decade, experienced a persistent imbalance in its international payments accounts. More recently, this imbalance has been aggravated by the failure of U.S. exports to keep pace with greatly increasing imports. At the same time, the growth of U.S. exports has failed also to keep pace with the growth of world trade.
>
> Domestically, the United States is experiencing serious economic difficulties. Unemployment is the highest it has been in years. Business is struggling to recover from a slump caused by the recent high interest rate period. The committee believes that it is desirable to make available to business the means with which to sell its products in as many markets as possible. Increased sales abroad mean more jobs at home and a quicker business recovery.
>
> The committee also believes that a rapid increase in exports is a critical part of the longrun balance-of-payments solution, and that such an increase in U.S. exports is heavily dependent upon an expansion of export financing which is competitive with the export financing available to foreign exporters vying with U.S. exporters in the international marketplace.[3]

Those words are as meaningful today as they were 3 years ago. Once again, an economic malaise in our business activity dictates that we continue to make available alternative markets wherever possible. We continue to suffer from fluctuations in our balance of trade with surpluses vanishing into deficits from month to month. Unfortunately, there is scant evidence at best to indicate that we will do anything other than continue to labor under these uncertainties.

For instance, under the best of circumstances, the United States will find it necessary to pay some $24 billion for petroleum product imports alone in 1974. In 1973, we paid $9.3 billion for a larger volume of petroleum products. If this Nation is to remain internationally solvent, if we are to pay our bill, not to mention the bills for all of the other goods that our consumers and industry demand, we must continue to encourage exports of those goods in the production of which we enjoy a comparative advantage. In addition, we will find it increasingly in our national interest to continue to provide the financing necessary to enable American producers of generally available goods to remain competitive in international markets. It is at this point that the Export-Import Bank becomes so important.

Concerns have been expressed with regard to the need for caution in expanding our exports. This Nation's Government has a responsibility to its people to exercise certain restraints. We must not allow the export of goods and technology that contribute to the military capability of our potential adversaries. We must act to protect our domestic economy from the serious adverse effects of shortages of critical goods that are brought about by foreign demand. However, these are decisions and actions to be made by agencies and departments other than the Export-Import Bank. There have been suggestions that the Bank should take a more active role in determining the appropriateness of the exports they are being asked to finance. The Bank should not determine such matters. The Bank is simply neither equipped nor designed to handle such a task. Inherent in the administration of this Nation's trade policy is a certain diversity of opinion. This can often be helpful to the formulation of sound policy. The controllers can exercise a certain restraint on the promoters. Conversely, the promoters can insure that the controllers do not become either too complacent or unduly rigid in the exer-

Footnotes at end of article.

cise of their responsibilities. The more appropriate vehicle for expression of concern with respect to export restraint is through implementation of the policies contained in the Export Administration Act, which was recently considered by the Senate and is presently before a conference committee.

COMMERCIAL ASSISTANCE

In a typical commercial transaction—whether domestic or international—the sale is made after careful consideration by the buyer of a variety of factors. The initial selling price, quality, availability of spare parts, reliability of service, timeliness of delivery, and the terms of financing each contribute to the buyer's decision. In a world in which each of these factors is becoming more nearly constant among producers of the same goods, it is precisely the availability and cost of financing—interest rate, term, and other conditions—that frequently tips the scale in favor of one producer over another.

Something that seems to be lost sight of during recent debate on the Export-Import Bank is the fact that the Bank is essentially a commercial enterprise. The Bank furnishes credit and other financial aids to assist American producers to compete with their foreign counterparts. Eximbank assistance is provided in such a manner as to not compete with private financial enterprises.

The Export-Import Bank Act provides that it is ". . . the policy of the United States to foster expansion of exports of goods and related services, thereby contributing to the promotion and maintenance of high levels of employment and real income and to the increased development of the productive resources of the United States." [4] That same section of the act goes on to state that, in order to meet this policy objective, the Bank shall ". . . provide guarantees, insurance, and extensions of credit at rates and on terms and conditions which are competitive with the Government-supported rates and terms and other conditions available for the financing of exports from the principal countries whose exporters compete with the United States exporters." [5] The countries to which that requirement applies are France, Germany, Italy, Japan, and the United Kingdom. In order to illustrate this requirement, I have a table outlining the effective interest rates of the Bank's foreign counterparts is provided.

COMPARISON OF EFFECTIVE INTEREST RATES ON EXPORT-IMPORT BANK FINANCING AND FOREIGN BANK FINANCING

[Amount in percent]

	Medium term, 6 mo. to 5 yr.	Long term, over 5 yr.
France	5.95 to 6.75	6.60 to 6.95.
Germany	9.50 to 11.50	9.00 to 10.00.
Italy	6.00 to 7.50	6.00 to 7.50.
Japan	7.00 to 8.75	6.25 to 8.75.
United Kingdom	7.50 to 7.80	6.40 to 9.00.
United States	13.00 to 14.00 [6]	8.50 to 11.00.

As can be seen from this table, the Export-Import Bank is at the high level of the range with respect to the rates furnished by its primary competitors.

Footnotes at end of article.

Aside from the actual interest rates described above—which are adjusted to reflect the relative mixes between Government-supported financing and private financing—the terms of credit offerings are nearly identical among the different institutions.

In his testimony on this issue, the chairman of the Export-Import Bank, Mr. William Casey, said:

> We are in a position where if we set our rate a little lower, we are charged with subsidizing and if we set it a little higher, we can be criticized with not carrying out our mandate to offer competitive terms. Fortunately, I believe we can walk this thin line because the interest rate is not the only element in measuring the relative value of credit terms. There are many important elements in the support which Eximbank extends to the American exporter, including the marshaling of private credit, financial expertise, assuring availability of financing, and the flexibility to develop a financing package adapted to the requirements of a project and the cash flow it will produce.[7]

The Export-Import Bank Act of 1945 contains several provisions which will insure that business considerations remain foremost in the mind of the Bank's managers. The principal statutory language in this respect is that the loans made by the Bank shall "offer reasonable assurance of repayment." [8] The Bank's adherence to this statutory dictum is evident in its financial record. Since its inception four decades ago, the Bank has suffered losses amounting to only 0.02 percent of the total credit is has extended.[9]

This compares quite favorably wtih the average write-off factor of around 0.5 percent of commercial financial institutions in their international lending. The Bank intends to continue to exercise the sort of scrupulous attention to the commercial feasibility of each proposed transaction that has made this record possible.

However, noncommercial factors can affect the normal course of the Bank's operations. This is true in two important respects.

The first is more or less obvious. The Bank will not participate in the financing of exports to a nation with which the United States has unfriendly relations. There are legal prohibitions against Bank participation in trade with nations with which the United States is engaged in armed conflict,[10] the limitations placed on doing business with Communist countries,[11] and the restrictions placed on the financing of military goods and service.[12]

The second is, if less obvious, likely more important. This is a recognition of the fact that economic actions of any consequence taken by this country have an impact on our foreign relations. Whether that action is directed primarily toward a domestic matter, for example, monetary policy, or an international interest, for example, export expansion, because of America's position in the world that action will have an international economic effect, and, as such, has a bearing on our foreign policy.

The Bank is not insulated from this condition of dynamic interaction. It would be naive to presume that the Bank's Board of Directors operate—or could or should operate—in a political vacuum. The Bank is presently receiving applications to finance export transactions in excess of their annual statutory authority. Under these conditions of excess demand, the Bank could logically be expected to approve an application, all other things being equal, which will further the interests of the United States over one which have a neutral, or less positive, effect.

Nonetheless, to the extent that the Bank operates in a foreign policy element, such considerations are largely incidental to the basic commercial responsibilities of the Bank.

EMPLOYMENT

Furthermore, the Bank has been a positive force in stabilizing and increasing employment in those sectors of our economy oriented toward world trade. In fiscal year 1973, the value of exports that were financed to one degree or another by the Bank totaled nearly $10.5 billion. Those exports translate directly into 619,500 jobs in this country. In fiscal year 1974, the Bank supported export sales of $13 billion worth of American goods and services. That represents 767,000 jobs. These figures only entail those jobs directly related to exports. Obviously, they would be much higher if the indirect employment were also included. At a time when domestic unemployment is rising, it hardly seems appropriate to take any action that would, as a direct result, have the effect of further aggravating our unemployment problem. Furthermore, the exports being supported by the Bank's activities tend largely to be produced by highly skilled and highly paid workers. Accordingly, the employment contribution of the Bank is, if anything, more important than the bare numbers would suggest, although those numbers in and of themselves are significant. If the Bank is cut back or in some other manner restricted from achieving its statutory purpose, the Nation would not risk losing just jobs. We would jeopardize critical jobs held by some of our most highly qualified, technically expert, and highly paid workers.

INTERNATIONAL COOPERATION

There are paradoxical, yet hopeful, signs that the major trading nations of the world are coming closer together in their agreement of the need for limitations on barriers to trade and export promotion activities at the very time when it is increasingly in each nations' own self-interest to export more and import less. These very nations are working more closely together than ever before to insure that these individual needs do not overwhelm the more essential need for balance in world trade.

The agreement among the member states of the Organization for Economic Cooperation and Development—OECD—to refrain from undertaking disruptive trade actions on a unilateral basis is extremely important. The discussions presently taking place among the major trading nations of the world are of equal long-range value in establishing a sense of order and uniformity in the nature and extent of official export supports of

the sort provided by the Export-Import Bank.

It is important to note that the United States was not the first country to recognize the important role to be played by an official export financing bank. Most of the European nations had long since instituted and depended upon their export-financing agencies when the U.S. Export-Import Bank came on the scene in 1934. Our major trading partners established their counterparts to our Eximbank in the following order:[13]

Italy	1912
Germany	1917
United Kingdom	1919
Belgium	1921
Denmark	1922
Netherlands	1925
France	1927
Norway	1929
Sweden	1933
Switzerland	1934
United States	1934
Brazil	1940
Canada	1945
Austria	1946
Japan	1950
Pakistan	1953
Australia	1957
India	1957
Israel	1958
South Africa	1958
Republic of China	1960
Mexico	1961
Spain	1962
Finland	1963
New Zealand	1965
Rhodesia	1965
Argentina	1966
Hong Kong	1966
Yugoslavia	1967
Greece	1968
Korea	1969

Within the framework of the multinational negotiations presently taking place and involving many of the nations listed above, the United States can best aid in the development of the rules of procedure that are to govern the day-to-day operations of export banks around the world. For the United States to take action unilaterally at this time—either in a direction that may incite others to participate in an all-out credit war, where each nation would try to undercut its competitors by offering more favorable terms than anyone else, or in the direction of retreat that would weaken the ability of American businessmen to compete in world markets—would be dangerously disruptive.

The Banking Committee has recognized the need for international cooperation in export financing policy by recommending the adoption of the following language:

> The Bank shall, in cooperation with the export financing instrumentalities of other governments, seek to minimize competition in government-supported export financing.[14]

The delicate network of agreements—both tacit and explicit—that have been laboriously developed among the major trading nations of the world should not be taken lightly. That a basic law of physics—for every action there is an equal and opposite reaction—also applies to international economics has seldom been more apparent than now. Were we to take unilateral action to disrupt this delicate balance, the consequences would be substantial. In today's interdependent world, it is vital that the United States act as a responsible member of the community of nations and that we not set forth on a course of action that will seek to deny our responsibilities as a member of that community. To do so will only serve to be self-deceptive and result in consequences of incalculable harm to future generations both here and abroad.

We find ourselves in a world increasingly cognizant of the need for and benefits of world trade. True, the United States is marginally less dependent on world trade for our well-being than are many other countries. Presently, export activity accounts for 12 percent of America's output of goods, that is, those products that can be exported. The nations of Europe, Canada, and Japan have tended historically to export much greater proportions of their total national economic output. Nevertheless, world trade is a vital element of our national economic activity and is of increasing importance as the world in which we live becomes ever more closely economically interdependent.

The United States cannot for a moment consider retreating back toward a condition of general economic isolationism. To do so would cause not only considerable hardship to our own people and industrial base, but also near chaos in world markets. In such a world, it is imperative that the United States maintain a vigorous and viable Export-Import Bank. The continuing need for the Bank in today's increasingly competitive world should be apparent. Nevertheless, suggestions have been made that the Bank has outlived its usefulness—that it is no longer needed as an agency of the Government participating in international trade. Such suggestions are most ill-advised.

Failure on the part of Congress to continue the operations of the Export-Import Bank would be a giant step backward toward isolation. Simply stated, the Bank performs an essential function in enabling American producers to compete with their foreign counterparts in world trade. Without the support furnished by the Bank, many of these producers, through no fault of their own, would be unable to compete in world markets. In addition, some domestic producers may very well be encouraged to establish operations in foreign countries thereby causing an additional loss of jobs and benefits in the United States.

AMERICAN EXPORTS

In meeting its responsibilities under the Export-Import Bank Act of 1945, the Bank has proved to be an operation of remarkable resilience due solely to the flexibility that the Congress has wisely written into that act. In general, the Bank serves to foster the Nation's international economic interests in two ways: First, by insuring that American producers of generally available goods are able to provide financing comparable to that available to their foreign counterparts and thereby meet foreign competition, and second, by insuring that American producers of goods and related services in the production of which the United States enjoys a strong competitive advantage or monopoly, are not supplanted by foreign sources of supply that are developed in response to the unavailability of sufficiently favorable financing arrangements.

Increasingly, there are suggestions that the Bank ought to be restricted from participating in the financing of exports of goods and related services in the production of which the United States enjoys a dominant position. To do so would be shortsighted. By arbitrarily restricting the Bank from exercising its responsibilities to aid in the financing of such exports, we will have caused an increase in the effective price of that goods to a potential foreign purchaser.

The effect of such an increase likely will be evidenced in one of two actions taken by foreign purchasers. On the one hand, they may simply forgo the purchase altogether, in which case the U.S. economy loses the sale, and related income and employment. On the other hand, if the product is one which is needed at any cost, foreign buyers will purchase the goods.

However, they likely will be encouraged, to the extent of the increased price, to develop a capability of their own to produce the goods that were previously produced only in the United States. That, too, would not be in the best interests of the United States, from the points of view of either national income, employment, or balance of trade. In short, to restrict the Bank arbitrarily with respect to its ability to aid in the financing of certain goods, simply because American producers currently enjoy a decided advantage in world markets, would nearly insure the development of a condition of competition that will work to the long-run disadvantage of the American economy and our labor force.

CONCLUSION

From time to time, Congress has found it helpful to alter the Bank's Charter Act. This is as it should be. Just as the Bank cannot long survive without changing, so too, must the law be changed on occasion to meet changing conditions and needs.

It is in order that the Bank may continue to respond to the will of the Congress as well as to the needs of American exporters that this legislation is being presented.

After a long and arduous inquiry into the operations of the Bank that began last October, the Banking Committee has concluded that several changes in the Export-Import Bank Act of 1945 are necessary.

I am pleased to join the chairman of the subcommittee in sponsoring a set of amendments to the bill which each of us will discuss later. I firmly believe that the bill, with these changes, is a good bill. It purposely seeks to meet a host of concerns and, I believe, does so quite well. I heartily join with Senator STEVENSON in urging my col-

Footnotes at end of article.

leagues to approve the bill with our amendments.

For now, however, I believe it is appropriate to point out that the committee, having considered and rejected several proposals directed at further restricting the Bank in its operations, concluded that no further amendments should be made to restrict the Bank's activity.

To the extent that any additional changes in the act would further limit or prohibit the Bank from continuing to meet competition from foreign export-financing agencies in a flexible and innovative manner, such changes clearly would be unwise.

To the extent that the Congress continues to exercise extremely close control over the operations of the Bank—annually through the appropriations process, less frequently through extensions of authority, and continuously through our oversight function—any such changes would be unnecessary.

FOOTNOTES

[1] Export-Import Bank Act of 1945, section 2(a)(1).

[2] PL 92-126.

[3] Report No. 92-51, to accompany S. 581, Committee on Banking, Housing and Urban Affairs, United States Senate, March 31, 1971, p. 2.

[4] Export-Import Bank Act of 1945, section 2(b)(1).

[5] IBID.

[6] The Export-Import Bank does not provide direct credit on medium-term financing. Their involvement in such cases is limited to guarantees and insurance of private financing.

[7] *The Role of the Export-Import Bank and Export Controls in U.S. International Economic Policy*, Hearings Before the Subcommittee on International Finance of the Senate Committee on Banking, Housing and Urban Affairs, April 2, 1974, p. 35.

[8] Export-Import Bank Act of 1945, section 2(b)(1).

[9] This figure does not include loans that have been rescheduled for whatever reason. Were such rescheduled loans to be included, the figure would be 0.05 percent. The data for private financial losses do not include reschedulings either.

[10] Export-Import Bank Act of 1945, section 2(b)(3).

[11] IBID., section 2(b)(2).

[12] IBID., sections 2(b)(4) and 2(b)(5).

[13] Those nations marked by an asterisk are not associated with the Berne Union, the principal international forum for government-supported export financing agencies.

[14] Export-Import Bank Act of 1945, section 2(b)(1)(A), as proposed to be amended by section 3 of S. 3917.

Mr. TOWER. Mr. President, as the ranking minority member on the Senate Banking Committee, I have had the opportunity over the years to become intimately acquainted with the operations of the Export-Import Bank, and to gain a deeper appreciation of its purpose and the importance to the U.S. economy of its effective operation. The Bank is a unique Government institution in that it does not spend—it lends. Its only essential mission is to permit the maintenance and expansion of that $70 billion part of our economy that depends upon sales to foreign purchasers. Its dealings are in the commercial world in support of U.S. business and U.S. jobs.

The committee bill which authorizes a 4-year extension of the corporate charter and new commitment authorities is indispensable to the effective operation of the Bank and the absolutely essential increase in export earnings rather than by a devaluation of the dollar.

While I urge support of my colleagues for passage of the committee bill, I find myself totally in opposition to section 5 of that bill which sets up an enormously complex and cumbersome procedure for prior congressional review of all Eximbank loans over $50 million.

I will support the Packwood-Stevenson amendment to the committee bill which substitutes for section 5 and I urge that the committee bill be passed without any further amendments by this House. I specifically refer to amendments that may be offered on such subjects as the interest rate Eximbank charges, its return to the budget before the Budget Committees have had an opportunity to review the matter, and other efforts to use this committee bill as an opportunity to legislate in other areas such as export control licenses, and foreign relations.

It is important that the Bank continue to have flexibility to act responsibly and effectively in support of U.S. exports. Amendments which would tie the hands of the Bank in responding to the real world of international competition could be of serious consequence to our domestic economy and frustrate our efforts to obtain agreements from the official export agencies of our competitors to avoid a credit war. Negotiations on this subject are being actively conducted at very high levels. The recent meeting in Brussels in which the United States was represented by Mr. Casey was productive though an agreement has not yet been reached. Congressional direction imposing rigid interest rate requirements could well result in failure to reach an agreement on officially supported export financing and this would be a significant loss completely at odds with the thrust of our bill.

The PRESIDING OFFICER. Who yields time?

AMENDMENT NO. 1879

Mr. EAGLETON. Mr. President, I call up my amendment No. 1879.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

At the end of the bill add the following new section:

ELIGIBILITY OF TURKEY FOR FURTHER MILITARY ASSISTANCE

SEC. 13(a) The Congress finds and declares that—

(1) section 505(d) of the Foreign Assistance Act of 1961 and section 3(c) of the Foreign Military Sales Act provide that any foreign country which uses defense articles or defense services furnished such country under either such Act in substantial violation of any provision of such Act or any agreement entered into under such Act shall be immediately ineligible for further assistance under such Act; and

(2) the President of the United States in a 1964 letter to the Prime Minister of Turkey warned the Government of Turkey that the use of United States defense articles or defense services "for a Turkish intervention in Cyprus" would be contrary to article IV of the July 1947 bilateral agreement between Turkey and the United States, which article requires Turkey to obtain the approval of the United States for the use of defense articles and defense services (furnished by the United States) for any purpose other than those for which such articles and services were furnished; and

(3) the Government of Turkey has, since July 20, 1974, used defense articles and defense services furnished to that country under the Foreign Assistance Act of 1961 and the Foreign Military Sales Act for the purpose of intervening militarily on the island of Cyprus.

(b) It is therefore the sense of the Congress that the President should immediately declare Turkey ineligible for further assistance under the Foreign Assistance Act of 1961 and ineligible for further cash sales, credits, or guarantees under the Foreign Military Sales Act and, in compliance with the provisions of such Acts, make no further military assistance available to such country under either such Act.

Mr. EAGLETON. Mr. President, there are 26 cosponsors to amendment No. 1879 which deals with military assistance to Turkey. I ask unanimous consent that seven additional Senators be added as cosponsors to this amendment, to wit: the Senator from Texas (Mr. BENTSEN), the Senator from New Mexico (Mr. MONTOYA), the Senator from New Jersey (Mr. WILLIAMS), the Senator from Minnesota (Mr. HUMPHREY), the Senator from New York (Mr. BUCKLEY), the Senator from Iowa (Mr. CLARK), and the Senator from West Virginia (Mr. RANDOLPH).

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

Mr. EAGLETON. Mr. President, before delivering my rather brief speech with respect to this amendment, I wish to pay tribute to the distinguished Senator from Illinois, my colleague, Mr. STEVENSON. He is the principal cosponsor with me of this amendment, and I appreciate his willingness to expedite the matter so that this amendment could be brought before the Senate today.

Both he and I realize that because of the parliamentary procedure of the House if this amendment is adopted by the Senate, as I hope it will be, it would have a difficult time of prevailing in conference. But all is not lost. I understand the House is proceeding, and will continue next week, to consider an amendment similar to this one before us today. In due time, the sense of both Houses of Congress will be on record with respect to this important international matter.

Mr. President, the amendment I propose today is intended to demonstrate that the rule of law in this Nation must prevail over the policies of men. The law governing the use of American military assistance is not subject to varying interpretations—it is not a complicated statute—and it contains virtually no discretionary authority. The pertinent sections of the Foreign Assistance Act and the Foreign Military Sales Act explicitly state the requirement:

> Any country which hereafter uses defense articles or defense services furnished such country under this Act . . . in substantial violation of the provisions of this (Act) or any agreement entered into pursuant to (this Act) shall be immediately ineligible for further assistance.

Since July 20, 1974, the executive branch has tried—unsuccessfully—to

look the other way while American arms are used by Turkey against the nation of Cyprus. The State Department wants President Ford to overlook the legal requirement to stop military aid to Turkey for misusing our weapons. It is a painful irony in this post-Watergate era that individuals at the highest levels of Government persist in trying to undercut the law in favor of their own perceptions of what is best for America and what is best for the world.

Mr. President, what are the provisions and purposes of the acts which authorize assistance? According to a legal memorandum prepared by the Library of Congress:

> U.S. military aid is intended for the sole and exclusive purpose of permitting recipients to defend themselves against aggression.

The Library concluded its memorandum with the following statement:

> Use of articles and services for other than defensive purposes, i.e. for aggression purposes, is barred by law.

The dictionary definition of the word aggression is "the violation by one country of the territorial integrity of another." If we use this definition, there can be no doubt that Turkey committed an aggressive act in violating the territorial integrity of the nation of Cyprus. Even with no further guidance from precedent or legislative history, Turkey is clearly guilty of using American arms in violation of the provisions of our military assistance programs.

But in this instance we need not depend upon dictionary definitions. In 1964 the then President of the United States, President Johnson warned the Prime Minister of Turkey that using American arms "for a Turkish intervention in Cyprus" would violate our bilateral arms agreement with that country. Documents on hand in the executive branch—prepared for President Johnson in support of the 1964 letter—indicate that the President knew full well that it would have been his statutory responsibility to cut off military aid to Turkey had that nation moved on Cyprus.

The July 1947 bilateral agreement between the United States and Turkey requires Turkey to obtain the approval of the United States for the use of American defense articles for any purpose other than for the defensive purposes for which our arms are furnished. American law requires Presidents to consumate such agreements before the United States can offer military assistance.

In the Turkish invasion and occupation of Cyprus, our agreement with Turkey is being openly and substantially violated. Turkey has not asked our permission to use American arms on Cyprus. And in violating their agreement with the United States, the Turks have become ineligible to receive any further American assistance.

Mr. President, we do not give arms to nations so that they can be used against the friends and allies of the United States. The preamble of title II of the Foreign Assistance Act emphasizes the control we place over American weapons. Let me read from that preamble:

> It remains the policy of the United States to continue to exert maximum efforts to control weapons . . . under adequate safeguards to protect complying countries against violation and evasion.

If this principle of statutory control is to be preserved, then our Government cannot ignore violations of this type. The world must know that American law is applied equitably and that policy considerations, however well-intentioned, must always be consonant with the requirements of our domestic law.

Mr. President, the State Department has apparently decided that its policy must prevail to the exclusion of other considerations. But let us not be mistaken, American law is already a part of the complicated Cyprus equation. Turkey and Greece both understand what the President's legal obligation is, and if the President fails to fulfill that obligation to cut off aid to Turkey, it will no longer be even arguable that our policy is even-handed.

If the United States continues on its present course, in spite of the law, we risk the total loss of Greece as a NATO ally. And if Greece fully withdraws from NATO, the American naval presence in the eastern Mediterranean will be severely crippled.

Our ports in mainland Greece and in Crete are vital if we are to match the Soviet Navy in that area. It would be a serious miscalculation if we were to encourage the Caramanlis government to close our ports by attempting to circumvent a clear requirement to penalize Turkey's aggression.

It would be equally improper to recommend to President Ford that he pardon Turkey for its misuse of American arms.

The President can waive the provisions of the Foreign Assistance Act if he determines that it is—and this is the legislative purpose—"important to the security of the United States."

But because we risk losing our ports in Greece, it is inconceivable that a waiver would in fact enhance our security posture.

According to the law, the President, before granting a waiver, must make a determination that the purposes for which the United States gives military assistance are furthered by his action. The law is explicit on this point—our military assistance cannot be used for aggression. Using the waiver clause to advance such a negative cause would violate both the letter and the spirit of the law. The military intervention by Turkey cannot, therefore, be pardoned, nor should it be.

Despite the State Department's most recent plea for kingly powers in the realm of foreign affairs, Congress has a constitutional responsibility to enact statutory controls over programs and policies when it perceives such controls to be in the national interest. Congress long ago recognized the potential dangers of military assistance and enacted laws strictly controlling the use of American weaponry by recipient nations. It is this principle of control which is at stake in the administration's ongoing refusal to properly execute the law.

The United States was universally admired some weeks ago when the rule of law prevailed providing a smooth transition of executive power. Would our Nation be any less respected, even by Turkey, if we were to subordinate a policy advanced by a few men to the law which governs all men?

I urge my colleagues to vote for the rule of law and to voice the displeasure of the Senate over the State Department's extralegal Cyprus policy. Much is at stake in the vote we cast today. Our refusal to tolerate the accession of policy perceptions over legal obligations could go far in putting our Nation back on the course set by the framers of our Constitution.

Mr. President, may I inquire, are we under a 1-hour time limit?

The PRESIDING OFFICER. The Senator is correct.

Mr. EAGLETON. With that hour equally divided?

The PRESIDING OFFICER. That is correct.

Mr. EAGLETON. Mr. President, I yield 5 minutes to the distinguished Senator from Illinois (Mr. STEVENSON).

Mr. STEVENSON. Mr. President, I join with Senator EAGLETON to support this amendment, so I will yield control of the time in opposition to the amendment to the Senator from Texas (Mr. TOWER).

Mr. President, it was the initiative of the Senator from Missouri which brings this matter to the Senate floor and it is my privilege to join him.

Approval of this amendment will make it clear that the Senate intends for the laws of the United States to be obeyed. It will also signal Senate disapproval of a policy which rewards aggressors and oppressive regimes which punish innocent people.

That policy sustained the Greek junta, alienated the Greek people, toppled the legitimate government of President Makarios in Cyprus, brought Turkey into Cyprus and forced Greece out of NATO. By all indications, the administration intends to continue its defiance of the law and its preferential treatment of Turkey.

This amendment emphatically disapproves this policy. It is brought forth today not by a vindictive attitude toward a valued ally, Turkey, but by Turkey itself which violated the conditions upon which it accepted assistance from the United States and forfeited its claim to further assistance by its own actions.

Mr. President, I want to commend the Senator from Missouri for offering this amendment and, as I know he understands, express my own regret that it will probably be impossible to hold the amendment in conference with the House because of parliamentary obstacles, but, nonetheless, does offer the Senate today an opportunity to express in the most emphatic terms its feelings on this issue.

Mr. EAGLETON. Will the Senator yield for a brief statement on that point?

Mr. STEVENSON. Yes.

Mr. EAGLETON. So as to make the record clear, the Senator is correct, this

may well be sacrificed in conference by parliamentary obstacles on the House side, but the Senator is aware certain sponsors in the House intend to take up a similar amendment to this in the House next week, so, in practical analysis, within a week or so we more than likely will have the sense of both Houses, in any event.

Mr. STEVENSON. The Senator is correct, both Houses will have an opportunity to express their views on this issue and, hopefully, the views of both Houses will be expressed emphatically that the law should be obeyed and will be observed and respected by the executive branch of our Government.

Mr. President, the Turkish invasion of Cyprus is a tragedy for the cause of world peace, the NATO alliance, the people of Cyprus, and now it raises questions about the rule of law in the United States.

Recognizing that military assistance was an important, but inherently dangerous, instrument of foreign policy, the Congress passed legislation carefully circumscribing the use of arms provided by the United States. The Foreign Assistance Act and the Foreign Military Sales Act state categorically that a nation which violates the conditions upon which the United States provides military assistance "shall be immediately ineligible for further assistance." Those conditions have been violated by Turkey's armed intervention in Cyprus.

According to the Department of State, Turkey is scheduled to receive an estimated $232 million in economic and military assistance in fiscal 1975. Greece is scheduled to receive only $71 million. The new Government of Greece is not responsible for the actions of the military junta in Cyprus. Turkey, on the other hand, resorted to armed intervention in Cyprus and disregarded the resolutions of the United Nations, as well as the terms upon which it accepted aid from the United States under these circumstances, it is difficult to understand why the United States should be signaling support for Turkey by providing it any assitance, not to mention three times the assistance it intends to provide Greece.

The U.S. failure in the past to perceive that morality and self interest can coincide has already cost us the good will of the Greek people and the new Greek Government. U.S. support for the Greek junta and disdain for the legitimate Government of Cyprus are the proximate causes of the Cyprus coup, the Turkish invasion and now NATO's loss of Greece. Now, in order to repeat its mistakes of the past the administration seems prepared to violate the law.

Section 505, subsection (a)(1)(c) of the Foreign Assistance Act states in part:

> No defense articles shall be furnished to any country on a grant basis unless it shall have agreed that . . . it will not, without the consent of the President, use or permit the use of such articles for purposes other than those for which furnished.

In return for U.S. military assistance, Turkey consented to that and other conditions in a bilateral agreement with the United States signed in July 1947. Article IV of that agreement requires Turkey to obtain U.S. approval for the use of American supplied arms for purposes other than those for which such assistance was furnished. This bilateral agreement is still in force and remains the controlling document for the purpose of furnishing Turkey with military assistance.

Subsection (b) of section 505 of the Foreign Assistance Act clearly and directly states the purposes for which we furnish a nation with weapons under military assistance programs, and requires the President to determine that each of the four following conditions be met before defense articles can be furnished on a grant basis to any country at a cost in excess of $3 million:

> (1) That such country conforms to the purposes of the charter of the United Nations;
>
> (2) That such defense articles will be utilized by such country for the maintenance of its own defensive strength, or the defensive strength of the free world;
>
> (3) That such country is taking all reasonable measures, consistent with its political and economic stability which may be needed to develop its defense capacities; and
>
> (4) That the increased ability of such country to defend itself is important to the security of the United States.

Subsection (d) of section 505 clearly states:

> Any country which uses defense articles or defense services furnished such country under this chapter . . . in substantial violation of the provisions of . . . this title or any agreements entered into pursuant to any of such acts shall be immediately ineligible for further assistance.

The Foreign Military Sales Act is equally specific in defining the purposes for which military sales are authorized. Section 4 reads as follows:

> SEC. 4. PURPOSES FOR WHICH MILITARY SALES BY THE UNITED STATES ARE AUTHORIZED.—Defense articles and defense services shall be sold by the United States Government under this act to friendly countries solely for internal security, for legitimate self-defense to permit the recipient country to participate in regional or collective arrangements or measures consistent with the charter of the United Nations, or otherwise to permit the recipient country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, or for the purpose of enabling foreign military forces in less developed friendly countries to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries.

Section 3 of the Foreign Military Sales Act specifies the penalty for violations:

> Any foreign country which . . . uses defense articles or defense services furnished such country under this chapter in substantial violation of any provision of this chapter or any agreement entered into under this chapter, shall be immediately ineligible for further cash sales, credits or guarantees.

Mr. President, the words "immediately ineligible" strongly suggest that the President must make an expeditious determination that the conditions upon which the United States furnished military assistance continue to be met by Turkey—or have been violated. More than a month has passed since the Turkish invasion of Cyprus, and President Ford has not yet made such a determination.

It is obvious that Turkey violated the conditions. Its resort to force in Cyprus is a clear violation of the purpose and principles of the U.N. Charter. The Turkish military forces have deliberately interfered with U.N. peacemaking forces and humanitarian efforts on Cyprus. In addition, its resort to force in Cyprus was an aggressive action. Turkey's military intervention cannot be characterized under section 505 as "legitimate self defense" or "internal security" or "public works" or "helpful to the economy or social development" of Cyprus. It can only be characterized as an aggressive action distinguished by the fact that Turkey was armed, in large part, by the United States.

Mr. President, Turkey's aggressive actions are in direct violation of the conditions upon which it received U.S. military assistance, and, consequently, continued assistance violates the law.

If the cited provisions of law are not enough to convince the President and the Secretary of State that they are not faithfully executing the laws of the Nation, then let them also take into consideration section 620(i) of the Foreign Assistance Act which states in part that—

> No assistance shall be provided under this or any other act . . . to any country which the President determines is engaging in or preparing for aggressive military efforts . . . directed against . . . any country receiving assistance under this or any other act.

Cyprus receives both Public Law 480 food assistance and regular foreign aid grants. The President cannot escape this provision of law by denying the obvious. Turkey is engaged in aggressive military efforts against two nations which receive assistance from the United States—Cyprus and Greece.

Greece and Turkey are U.S. allies. They are the crucial eastern flank of the NATO alliance. Consequently, the U.S. Government has purported to deal with the Cyprus crisis with "even-handed" appeals for restraint. Throughout the crisis, Secretary of State Kissinger has implied that it would not be in our national interest to eliminate military aid to Turkey at this time.

Yet during this time, Turkey violated two cease-fire agreements. It continues to violate resolution 353 adopted by the United Nations Security Council on July 20, 1974, which "demands an immediate end to foreign intervention in the Republic of Cyprus" and "requests the withdrawal without delay from the Republic of Cyprus of foreign military personnel present otherwise than under the authority of international agreements." It continues to use force to set up a separate Turkish administration on Cyprus, and has now split that small nation in half displacing over 200,000 Cypriot citizens.

It is evident that "even-handed" appeals for restraint by the United States have failed. They may have encouraged the unilateral Turkish action on Cyprus, and this action, undertaken with impunity by Turkey, could encourage such transgressions by other aid recipients.

Designed to preserve the NATO alliance, the continued "even-handed" approach by the United States in the face of repeated Turkish aggression in Cyprus has instead resulted in the withdrawal of Greek military forces from NATO. Moreover, the Turkish acts and the failure of the United States to restrain Turkey are undermining the new democratic Greek Government of Constantine Karamanlis. It is in the interest of the NATO alliance and the United States to restrain Turkey so that our relations with Greece can be repaired, so that Greece, hopefully, will resume its place in NATO, so that Makarios can be returned to his rightful place as President of Cyprus, and so that the govenment of Karamanlis can be sustained in power.

And let us not forget the welfare of the people of Cyprus. They have a right to govern their own affairs, and those displaced by the Turks should be able to return to their homes.

The United States cannot have it all ways. That should be obvious by now. The best course is the moral course. Only the United States, the principal ally and arms supplier of both Turkey and Greece, has the necessary leverage to influence Turkey to negotiate a Cyprus settlement in good faith and withdraw its troops from Cyprus in order to permit the United Nations to secure and protect the rights of all Cypriot citizens until a settlement can be agreed upon. It is now time for the United States to use its leverage in order to bring peace to the people of Cyprus.

The most effective way to do so is to cut off all further U.S. military assistance and military sales to any country which has troops currently involved in Cyprus in violation of international agreements and conditions of U.S. assistance. Such an action is dictated under our law by Turkey's action—not by any unilateral or vindictive action of the United States.

The President has a special waiver authority under section 614(9) of the Foreign Assistance Act which states in part that—

> The President may authorize . . . the use of funds made available for use under this chapter . . . without regard to the requirements of this chapter or any other law . . . when the President determines that such authorization is important to the security of the United States.

However, there has not been a presidential determination that continued military assistance to Turkey "is important to the security of the United States," and it is questionable whether the President could make such a determination in light of the facts.

As a result of the Turkish invasion of Cyprus and continued U.S. military support of Turkey, the eastern Mediterranean has become militarily and politically unstable—two NATO allies have been on the verge of war, Greece has withdrawn its military forces from NATO, and now is threatening to close down naval and air bases which service our 6th Fleet. It is clear that continued military support of Turkey has undermined, rather than enhanced, our national security.

Our national security must also be evaluated in terms of our moral commitments. It is not in our national interest to give support to politically repressive or militarily aggressive regimes. Such support will only isolate the United States in the world and further undermine our national security.

President Johnson acknowledged his statutory responsibility during the Cyprus crisis in 1964. In a letter to the Prime Minister of Turkey, President Johnson warned that using American-supplied arms "for a Turkish intervention in Cyprus" would be considered an act of aggression and would violate the bilateral agreement entered pursuant to the provisions of the Foreign Assistance Act.

President Johnson said in his letter:

> You have your responsibilities as chief of the Government of Turkey; I also have mine as President of the United States.

It seems clear that had Turkey invaded Cyprus in 1964, President Johnson would have complied with the law and declared Turkey "immediately ineligible" for military assistance. The President is bound by a sound law. He should determine that Turkey is "immediately ineligible" for military grants, sales, credits, and guarantees.

President Ford inherited the Cyprus crisis as well as many other pressing problems. It is my hope that he is not deliberately failing to execute the law, but is rather being ill-advised or being kept ill-informed of the legal ramifications of his inaction.

I call upon the President to make the determination he is required to make under the law and cut off military aid to Turkey. And I call upon my colleagues in the Senate to express their support for the law and their abhorrence for armed aggression by voting for this amendment.

Because of procedural difficulties in the House, I probably cannot retain this amendment in conference—but we can emphatically make our feelings known by approving the Eagleton-Stevenson amendment.

The PRESIDING OFFICER. Who yields time?

Mr. JACKSON. Will the Senator yield?

Mr. EAGLETON. I yield 3 minutes.

Mr. JACKSON. Mr. President, I am pleased to join as a cosponsor of this important resolution, offered by my good friend from Missouri as an amendment to the Export-Import Bank reauthorization legislation.

Mr. President, I commend the distinguished junior Senator from Missouri for his initiative in this regard.

In July of this year, the Turkish Government resorted to the large-scale use of military force in order to impose its own "solution" to the Cyprus question on all the people of Cyprus. Rather than acting in the role of guarantor of Cypriot independence and integrity—a role shared as well by Greece and Britain—Turkey became the major force in unraveling the international and domestic political arrangements that had secured the independence of Cyprus.

The Turkish military's fait accompli was made possible in part by the American program of military assistance to Turkey. Over the years, Congress supported such a program, seeing in Turkey an important member of the West's collective security structure. But in no sense did the Congress ever authorize military assistance to Turkey for any reason other than the strengthening of the collective defense effort. Indeed, the foreign assistance statutes clearly state that our military assistance is for "legitimate self-defense"; it is designed to enhance a nation's ability to resist aggression, not participate in it.

The Cyprus crisis is a problem not only for American foreign policy, it is also a challenge to the integrity of American law. In the view of the cosponsors, the statutes impose upon the President an obligation to place a moratorium on military assistance to Turkey, precisely because Turkey's use of this assistance clearly contradicts the Congress' intentions in funding the program.

It is fair to say that, thus far, the administration's approach to the Cyprus question—and to relations with Greece and Turkey alike—has been a failure. It is a policy that has been strategically, ethically, and legally unsound. It is in the realm of law especially that the Congress has a prime responsibility, and it is this responsibility that we act upon today. It is clearly time for the President to act in placing a moratorium on military assistance to Turkey. The administration has evaded its obligations in this area far too long, and this resolution will be, I hope, the last congressional reminder necessary.

I trust that the President will appreciate the depth of congressional concern over this issue. It is not our intention to interfere with the orderly conduct of U.S. foreign policy, but rather to urge a policy which is in accordance with American law and a policy which reflects the deep convictions of the American people that the United States should not be a party to military adventures which pit one ally against another. I urge my colleagues to support this amendment, and I call on the President to act forthrightly in behalf of an independent Cyprus and a strengthened North Atlantic Alliance.

Mr. BUCKLEY. Mr. President, I am a cosponsor of the Senate amendment proposed by the junior Senator from Missouri expressing the position that the Department of State should comply with statutes regarding disposition of American aid and other components of American policy with specific reference to Turkey. It is important that the intent of the Congress not be frustrated because of a preoccupation by the executive branch with a particular facet of our diplomatic relationships.

We are all deeply concerned about the situation in Cyprus. Whatever the provocation resulting from the attempted coup by 650 Greek officers, the fact is that Turkish Army has seized by force and now occupies a substantial portion of the Island of Cyprus, and in the process has violated existing under-

standings with respect to the proper use of military equipment provided by the United States.

It is the intention of the Congress that U.S. assistance be made in a context consistent with U.S. diplomatic objectives. Limitations imposed by the Congress on military and economic assistance to the Government of Turkey must be observed and faithfully enforced by the executive branch. As in the case of congressional concern over the contribution of Turkish opium production to the illicit drug markets, it is a legitimate concern of the Congress that our economic and military assistance not be utilized by one ally at the direct expense of another. Here again, the intent of Congress should be faithfully pursued by the executive branch. This amendment reinforces this position and I therefore urge its support.

PROTOCOL TO THE TREATY ON THE LIMITATION OF ANTI-BALLISTIC-MISSILE SYSTEMS—REMOVAL OF INJUNCTION OF SECRECY

Mr. MANSFIELD. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from the protocol to the treaty between the United States of America and the Union of Soviet Socialist Republics on the Limitation of Anti-Ballistic-Missile Systems, signed in Moscow on July 3, 1974 (Executive I, 93d Congress, second session), transmitted to the Senate today by the President of the United States, and that the protocol with accompanying papers be referred to the Committee on Foreign Relations and ordered to be printed, and that the President's message be printed in the RECORD.

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

The message is as follows:

To the Senate of the United States:

I transmit herewith the Protocol to the Treaty between the United States of America and the Union of Soviet Socialist Republics on the Limitation of Anti-Ballistic Missile Systems. This Protocol was signed in Moscow on July 3, 1974. I ask the Senate's advice and consent to its ratification.

The provisions of the Protocol are explained in detail in the report of the Department of State which I enclose. The main effect of the Protocol is to limit further the level and potential extent of ABM deployment permitted by the 1972 ABM Treaty. The Protocol furthers fundamental United States objectives set forth in President Nixon's message to the Senate of June 13, 1972 transmitting the Agreements reached at SALT ONE.

The ABM Treaty prohibits the deployment of operational ABM systems or their components except at two deployment areas, one centered on a Party's national capital area and the other in a separate area containing ICBM silo launchers. The Protocol would amend the Treaty to limit each Party to a single ABM deployment area at any one time, which level is consistent with the current level of deployment. However, each side would retain the right to remove its ABM system and the components thereof from their present deployment area and to deploy an ABM system or its components in the alternative deployment area permitted by the ABM Treaty. This right may be exercised only once.

This Protocol represents a further advance in the stabilization of the strategic relationship between the United States and the Soviet Union. It reinforces the ABM Treaty provision that neither Party will establish a nationwide ABM defense or a base for such a defense.

I believe that this Protocol strengthens the ABM Treaty and will, as an integral part of the Treaty, contribute to the reduction of international tension and a more secure and peaceful world in which the security of the United States is fully protected. I strongly recommend that the Senate give it prompt and favorable attention.

GERALD R. FORD.

THE WHITE HOUSE, *September 19, 1974.*

EXPORT-IMPORT BANK AMENDMENTS OF 1974

The Senate continued with the consideration of the bill (S. 3917) to amend and extend the Export-Import Bank Act of 1945, as amended, and for other purposes.

The PRESIDING OFFICER. Who yields time?

Mr. PACKWOOD. I yield to the Senator from Texas.

Mr. TOWER. Mr. President, this is a very unwise amendment. I feel reasonably sure that it will pass, because the politics of the issue are such that it, in all probability, will pass, even though it is admitted that there is little prospect it will survive in conference because a point of order will lie against it.

Mr. President, I submit that this is no way to conduct foreign policy. We in Congress have to recognize that the formulation and implementation of foreign policy is, and historically has been, regarded as primarily a function and responsibility of the executive branch.

Congress cannot engage in negotiations with foreign powers. The unwieldy mechanism of the legislative process does not lead itself to the flexibility required to deal with fast-changing times.

The amendment apparently proceeds on the supposition that we offer aid to Turkey, because of some unselfish motive that we have, because we are simply desirous of helping the Turks defend themselves, and have no particular national interest involved ourselves.

One needs only to look at a map to observe the geographic and strategic importance of Turkey and its essentiality to the North Atlantic Treaty Organization in terms of their ability to offer a viable defense for Western Europe.

Turkey is on the flank, and Turkey is in a strategic position. We proffer aid to Turkey not for any great altruistic reason, but because it is in our own national interest to do so. It is in our national interest to do so, because it is in our national interest that Western Europe have a viable defense. Why we should consciously weaken ourselves on our flank I cannot understand, but that is what we do should the amendment offered by the Senator from Missouri become law and become binding on the executive branch. Then we would be cutting off our noses to spite our faces. We would be denying ourselves the participation of the Turks in the defense of Western Europe. We would be denying ourselves sources of intelligence. We would be denying ourselves the opportunity to observe the naval movements of the Soviet Union in the Black Sea.

So let us understand that the amendment of the Senator from Missouri is not in the national interest. It may satisfy an emotional whim we have at the moment. It may allow us to vent our fit of heat. But it is not in the national interest, and it is not in the interest of the defense of Western Europe.

Therefore, I fervently hope that this amendment will be rejected.

We have to have a certain degree of flexibility in the successful implementation of foreign policy. Legislative strictures such as proposed here deny us that flexibility and give our potential adversaries a tremendous advantage over us.

Let us understand that we are playing into their hands so we can satisfy ourselves that we have slapped Turkey on the wrist for even having violated an understanding that we have with them.

I hope we will reflect carefully before we vote this amendment as a part of the pending legislation.

The PRESIDING OFFICER. Who yields time?

Mr. PACKWOOD. Mr. President, I hate to disagree with my distinguished colleague from Texas, but what are we to do when we pass laws in Congress, when we make agreements between our executive branch and the Government of Turkey as to how weapons are to be used or any other form of foreign aid that are granted, and then they violate the agreement? Blatently, clearly. There is no question about the violation. But we stand here and say, "Well, all right, we will tolerate that." Do we say that if they happen to use the weapons in a way that we like, that may be all right?

I do not approve of the way they used the weapons in this case, but if they happen to use the weapons in a way we do not like, we then exert our influence and pressure? They have made a mockery out of the law that Congress passed.

Either the law should be repealed and they be allowed to have whatever discretion they want in Turkey to us the weapons they want, or the law should be observed. But I do not think we can have it both ways.

It is for that reason that I join with the Senator from Missouri in support of his amendment today.

The PRESIDING OFFICER. Who yields time?

Mr. EAGLETON. Mr. President, I take it there is no other Senator who desires to speak in opposition to the amendment. I shall speak briefly and ask for the yeas and nays.

I listened with great interest to my distinguished colleague and friend from Texas (Mr. TOWER), an able and ar-

ticulate spokesman. He is even able and articulate as a spokesman for an improper cause.

He knows, as I do, that the law is the law. We are not talking about tying the hands of our negotiators, about the improvements in foreign policy, and the lack of wisdom in not giving to those in the State Department the discretionary power to operate.

They do not talk about those bromides when the law is clear on its face. The law is being violated not only by Turkey—they are in violation of the bilateral agreement—but the U.S. Government, the executive branch is in violation of the law.

The law says that aid shall be cut off to a recipient nation, in this instance Turkey, when that nation uses our equipment for aggression. That is the sum and substance of what the law says. They can use it for only limited purposes of self-defense or for NATO-assigned reasons. Thus, when Turkey used our equipment to invade Cyprus, that act violated the law and the President of the United States was to forthwith terminate any future aid to Turkey.

That occurred 2 months ago, on July 20.

On August 19, the Secretary of State, Dr. Kissinger, in a press conference was asked about the violation of the law in this. "Are you checking this out?"

Dr. Kissinger in his clever use of language—and he is one of the most articulate and cleverest wordsmen of modern times—said, yes, he was going to check this out, and they would have a legal opinion forthcoming.

That was a month ago. Where is that celebrated legal opinion? Is it on Dr. Kissinger's desk? Where is that opinion that he promised to the American public a month ago?

We do not need the opinion, Mr. President, because the law is clear. Dr. Kissinger can hire every Philadelphia lawyer and every Wall Street lawyer he wants and you cannot get around the clear wording of this statute.

There is no discretion allowed. The aid is to be terminated forthwith.

Can there ever be a prudent foreign policy in contravention of an existing, valid enactment of Congress.

What are we to do? Are we to wait for Dr. Kissinger when he is good and ready to tell us what he thinks the law is? We already know. Do we wait for Dr. Kissinger to decide what he thinks is in the national interest, even though the law is clear? Are we going to wait for one of those secret meetings with Dr. Kissinger where he says, "Now, listen, I know things you do not know, and things are delicate over there; please have faith in me"?

How much faith did we have through the years of a whole host of Secretaries of State beginning with Dean Rusk and later William Rogers insofar as Southeast Asia is concerned?

"Be a little more patient. Wait for the light at the end of the tunnel." Whether it was Rusk, McNamara, or Rogers. We were told the same thing—have faith in me. I know things you do not know.

Mr. HARRY F. BYRD, JR. Will the Senator yield?

Mr. EAGLETON. In 1 minute I will yield.

Now we are asked to let Dr. Kissinger work it out.

Yes, he is a bright man, a facile man, an agile man, and he is clever with his use of words. But even he, the esteemed and prestigious Secretary of State, is not above the law. If we have learned one thing in the wake of a 2-year nightmare, it is that no man is above the law. With what anguish and bitterness did we learn that lesson? But how quickly we learn and how equally quickly we forget.

I say that the Senate must go on record in protection of its own statutes and say to our Secretary of State that he is not above the law. The law is clear. It is to be read. It is to be observed. It is to be enforced.

There is a remedy for Dr. Kissinger if he says this is imprudent policy. He can come to Congress and say, "Congress, your law is unwise." Come before the committees of Congress and testify, "I seek an amendment to the law to get around what is the clear force of law."

Do it in an open way, aboveboard. Do not do it in the corridors of Foggy Bottom or in the corridors of the Capitol. Do not just whisper to certain "legislative leaders." Speak out, speak forth to the entire United States through the medium of Congress, before a duly constituted committee of Congress. Ask for a change in the law, if you think it is unwise—but do not ignore it. Observe the law. That you must do, Dr. Kissinger. That any American citizen must do.

Mr. President, I am pleased to yield to the Senator from Virginia.

Mr. HARRY F. BYRD, JR. Mr. President, as I understand the amendment offered by the Senator from Missouri, the purpose of it is to have the executive branch of Government comply with the law which already has been enacted by Congress.

Mr. EAGLETON. The Senator from Virginia is absolutely correct.

Mr. HARRY F. BYRD, JR. The amendment does not add new law. The amendment by the Senator from Missouri does not change the law. It merely says to the executive branch, "You must comply with the law that Congress enacted."

Mr. EAGLETON. The Senator from Virginia is absolutely correct once again.

Mr. HARRY F. BYRD, JR. As I understand the argument just made by the distinguished Senator from Missouri, if the executive branch feels that the present law is a hindrance, if the executive branch feels that diplomatic negotiations require an action which the present law does not permit, then the executive branch should come to Congress, give the reasons why the law should be changed, and recommend the change to Congress.

Mr. EAGLETON. I could not agree more with those fine words of the Senator from Virginia.

Mr. HARRY F. BYRD, JR. I thank the Senator from Missouri. It is my intention to support his amendment.

The PRESIDING OFFICER. Who yields time?

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

The PRESIDING OFFICER. The Senator has 6 minutes remaining.

Mr. EAGLETON. I yield 4 minutes to the distinguished Senator from Minnesota (Mr. HUMPHREY).

Mr. HUMPHREY. Mr. President, I have given very serious consideration to the amendment offered by the Senator from Missouri. I have been troubled, as he knows, about the application of it and all the implications that are involved. But I rise to support the amendment because I believe it is the right way to proceed.

Shortly before the Senate's Labor Day recess, I considered offering a similar amendment. At that time I believed that the supply of arms to Turkey was an express violation of section 505(d) of the Foreign Assistance Act of 1961 as amended. However, I discussed this issue directly with the Secretary of State and came to the conclusion that it would be best to wait on offering such an amendment until there had been adequate time for negotiations to begin.

My support of the Eagleton amendment stems from my frustration and disappointment that there has been no substantial progress toward the resolution of the crisis in Cyprus.

It has been argued that if our Nation cuts off its military or economic assistance to another nation that we automatically lose any leverage we normally would have with the recipient country. In the case before us today, I believe that the President should strictly follow the law and end American arms shipments to Turkey. We seem to have little or not influence on our Turkish friends as a result of our massive arms shipments.

It was clear when the Congress drafted and passed this law that we did not provide arms to other nations so that they could make war. The arms provided by the American taxpayer were for legitimate self-defense purposes and in the context of specified treaty relationships.

I invite the attention of Senators to section 502, entitled "Utilization of Defense Articles and Services," and I ask unanimous consent that that part of the Foreign Assistance Act of 1961, as amended, be printed at this point in the RECORD.

There being no objection, section 502 of the Foreign Assistance Act of 1961, as amended, was ordered to be printed in the RECORD, as follows:

SECTION 502

Utilization of Defense Articles and Services.—Defense articles and defense services [200] to any country shall be furnished solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the recipient country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security,[201] or for the purpose of assisting foreign military forces in less developed friendly countries (or the voluntary efforts of personnel of the Armed Forces of the United States in such coun-

tries) to construct public works and to engage in other activities to the economic and social development of such friendly countries. It is the sense of the Congress that such foreign military forces should not be maintained or established solely for civic action activities and that such civic action activities not significantly detract from the capability of the military forces to perform their military missions and be coordinated with and form part of the total economic and social development effort.

Excess Defense Articles.—Excess defense articles shall be provided whenever possible rather than providing such articles by the procurement of new items.

Conditions of Eligibility.—(a) In addition to such other provisions as the President may require, no defense articles shall be furnished to any country on a grant basis unless it shall have agreed that—

(1) it will not, without the consent of the President—

(A) permit any use of such articles by anyone not an officer, employee, or agent of that country,

(B) transfer, or permit any officer, employee, or agent of that country to transfer such articles by gift, sale, or otherwise, or

(C) use or permit the use of such articles for purposes other than those for which furnished;

(2) it will maintain the security of such articles, and will provide substantially the same degree of security protection afforded to such articles by the United States Government;

(3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles; and

(4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles which are no longer needed for the purposes for which furnished.

(b) No defense articles shall be furnished on a grant basis to any country at a cost in excess of $3,000,000 in any fiscal year unless the President determines—

(1) that such country conforms to the purposes and principles of the Charter of the United Nations;

(2) that such defense articles will be utilized by such country for the maintenance of its own defensive strength, or the defensive strength of the free world;

(3) that such country is taking all reasonable measures, consistent with its political and economic stability, which may be needed to develop its defense capacities; and

(4) that the increased ability of such country to defend itself is important to the security of the United States.

(c) The President shall regularly reduce and, with such deliberate speed as orderly procedure and other relevant considerations, including prior commitments, will permit, shall terminate all further grants of military equipment and supplies to any country having sufficient wealth to enable it, in the judgment of the President, to maintain and equip its own military forces at adequate strength, without undue burden to its economy.

(d) Any county which hereafter uses defense articles or defense services furnished such country under this Act, the Mutual Scurity Act of 1954, as amended, or any predecessor foreign assistance Act, in substantial violation of the provisions of this chapter or any agreements entered into pursuant to any of such Acts shall be immediately ineligible for further assistance.

Mr. HUMPHREY. Mr. President, it is clear that Turkey has used American arms for purposes that our Nation never intended. It is the duty of the President to review this situation and then to enforce the law.

Mr. President, Cyprus was once a booming economic sucess. It relied on a heavy tourist trade and some agriculture to provide its citizens with a fairly high standard of living. The economic situation of the island has deteriorated. The refugee situation is grave. It is imperative that a political solution be reached which provides for the withdrawal of Turkish forces. As long as the Turks know that they have almost an unlimited supply of arms and ammunition from the United States, it will not be likely that they will come to the conference table and participate in a settlement that is satisfactory to all parties. I believe we must realize that the great political leverage we have wrongfully provided the Turks through our supply of arms will not work in the interest of a peaceful and lasting solution to the crisis in Cyprus.

I call upon the President and the Secretary to take heed of this resolution, to recognize that nonaction is a violation of the law.

Mr. President, I have long been a staunch friend of Turkey. I am not unmindful of its great role in NATO. I am not unmindful of its participation in the struggle in Korea. I must say that one of the first areas of international policy that met with my interest and approval was the Greek-Turkish aid program. So what I do today, I do with heavy heart and with reluctance; but I do not think there is any other way out, other than to obey the law.

The PRESIDING OFFICER (Mr. GRIFFIN). The time of the Senator has expired.

Mr. EAGLETON. Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. EAGLETON. Mr. President, I ask unanimous consent that the following items be inserted in the RECORD:

The New York Times, September 14, 1974, "Turkey Is Ineligible."

The New York Times, August 27, 1974, "How To Lose An Ally."

The Washington Star-News, September 10, 1974, "Turkey Aid Poses Legal Problem."

The Washington Star-News, September 13, 1974, "Foreign Aid Focus Moves to Turkey."

The Washington Post, September 18, 1974, "U.S. Arms Flow to Persian Gulf."

Legal opinion by the Library of Congress, Congressional Research Service, "Military Aid Cutoff to Aggressor-Recipients."

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

[From the New York Times, Sept. 14, 1974]

TURKEY IS INELIGIBLE

Cutting off American military aid to Turkey may, as Secretary of State Kissinger contends, be "ineffective and counterproductive" so far as getting the Turks to roll back their occupation of Cyprus is concerned; but it is mandatory under the law. In pretending for nearly a month to be studying this question, the State Department is clearly stalling, as it has stalled at every point since the outset of the Cyprus tragedy when action was called for to demonstrate this country's disapproval of aggression.

The revelant laws cite specific purposes for which American military assistance may be used by recipient countries, including internal security, legitimate self-defense, regional and collective defense activities consistent with the United Nations Charter or undertaken under U.N. authorizations. They provide that any country employing aid for other purposes "shall be immediately ineligible for further assistance."

A Library of Congress analysis of pertinent legislation, inserted in the Congressional Record by Representative John Brademas of Indiana, supports the contention of Mr. Brademas and three colleagues in a letter to Mr. Kissinger that the cutoff in aid to Turkey "is not discretionary as a matter of policy, but is mandatory under the terms of the Foreign Assistance Act. . . ."

Senator Thomas F. Eagleton of Missouri charges that President Ford is being deliberately kept "uninformed" of the mandatory cutoff for Turkey "in order to protect erroneous policy judgments made by the foreign affairs bureaucracy." But it has been not so much the State Department bureaucracy that has so bungled American policy in the Cyprus crisis as Mr. Kissinger himself.

The stalling on the aid cutoff, in violation of the laws, is of a piece with Washington's earlier unwillingness to condemn Greece's disintegrating junta for the coup against the legal Government of Cyprus—a reluctance that encouraged Turkey to intervene on the island. It is also consistent with Washington's refusal to to condemn Turkey's subsequent massive occupation of a third of Cyprus in flagrant breach of solemn cease-fire pledges.

Senator Eagleton, Representative Brademas and their colleagues are to be applauded for persisting in their demand for an end to Mr. Kissinger's illegal appeasement of Turkish aggression.

[From the New York Times, Aug. 27, 1974]

HOW TO LOSE AN ALLY

(By Graham Hovey)

Secretary of State Kissinger still seems oblivious to the dimensions of the disaster sustained by United States foreign policy in the Cyprus tragedy and insensitive to the hurt of people who feel let down by Washington.

How else explain his ill-timed offer to mediate the Cyprus crisis and his bland invitation to a harried Greek Premier to come to Washington to talk things over—at a time when Turkey was grabbing the northern third of Cyprus and drawing only a wrist tap from the State Department?

Did Mr. Kissinger really believe that Greece's Premier Caramanlis or Foreign Minister Mavros could accept a summons to Washington at that point and survive? As former United States Under Secretary of State George Ball said, the Kissinger mediation offer in that context exhibited "an insensitivity beyond belief."

And at whom was Mr. Kissinger aiming his warning of last week that "a foreign government must not expect that every time there is a crisis, the Secretary of State will come rushing into the area and spend all his time settling that particular crisis?" Was anyone asking for what he grandly calls "the personal shuttle diplomacy of the Secretary of State"?

Mr. Kissinger did promise that in any negotiation, Washington would "take into full account Greek honor and dignity," but he

felt it necessary to add a warning that this country would "not be pressured by threat of withdrawal from the [NATO] alliance" nor by unjustified anti-American demonstrations.

But the Secretary surely misread the political signals from Athens if he regards the pullout of Greek forces from NATO and the anti-American demonstrations merely as ploys by the Caramanlis Government, rather than reflections of utter disillusionment with an alliance and a superpower ally that could not prevent Turkey's blitz and Greece's humiliation on Cyprus.

In fact, Mr. Kissinger's trouble from the onset of the Cyprus crisis has been a lack, in dealing with allies, of the sensitivity that was an ingredient of his success in the Middle East and Vietnam negotiations, as well as in the initiatives that led to President Nixon's visits to China and the Soviet Union.

The United States is not omnipotent and, as Mr. Kissinger reminds us, cannot stop "every local war between smaller nations." No one can prove that any feasible Washington effort this time would have halted Turkey's invasion of Cyprus.

One is forced to recall, however, that President Johnson twice got Turkey to call off a scheduled invasion of Cyprus: in 1964, with a tough letter to Premier Inonu; in 1967, through a skillful, even-handed negotiating job by envoy Cyrus Vance.

Once a shaky military regime in Athens had staged a putsch against President Makarios, clearly aimed at enosis—the union of Cyprus with Greece—there was only one way to prevent Turkish intervention: to demonstrate that Greece would not be allowed to get by with it. Washington could have made the point by backing Britain in refusing to recognize the new Cyprus regime and in demanding that Athens recall the Greek officers who had directed the coup.

Instead, the United States gave Turkey and the world every reason to believe it accepted the coup. Washington refused to pin responsibility for it on the Greek dictatorship and even hinted that on Cyprus it preferred the swaggering murderer, Nikos Sampson, to the devious Makarios.

Turkey's initial invasion of July 20 was the inevitable result. This at least accomplished the salutary secondary results of blasting out of power both Sampson and the Athens junta. At that point the imperative was to persuade Turkey to go no further.

Ankara had made its point: it would not accept enosis and it intended at any cost to protect the Turkish Cypriote minority. The Turks could now negotiate from strength. They could expect American and British backing for constitutional revisions to give the Turkish Cypriotes a large measure of autonomy.

But the invasion had been heady wine for Turkey and Washington again seemed to blow a timid trumpet. At the showdown in Geneva, Turkey presented a drastic plan for division of Cyprus as an ultimatum, refusing to give the Greeks and Greek Cypriotes even a 36-hour recess to consult.

Turkey's blitz killed hundreds, displaced some 200,000, sowed new seeds for protracted intercommunity strife, provoked Greece into pulling its forces out of NATO, and increased instability in the eastern Mediterranean and the Middle East. It also dealt a heavy blow at United States credibility and the reputation of Henry A. Kissinger. More's the pity that he seems not to understand why.

[From the Washington Star-News, Sept. 10, 1974]

MOVE ON HILL—TURKEY AID POSES LEGAL PROBLEM

(By Oswald Johnston)

After weeks of temporizing, the Ford administration is nearing a moment of reckoning on the politically loaded question of continuing military aid to Turkey after the Turkish invasion of Cyprus nearly two months ago. The outcome may prove a deep embarrassment.

In Congress, a movement is gathering force to cut off all of the $209 million in military aid earmarked for Ankara this year. Opponents were bolstered today by a Library of Congress legal opinion maintaining that continuing aid after the July 20 invasion violates congressional limits on U.S. aid programs.

At the same time, according to informed sources, Secretary of State Henry A. Kissinger's own legal staff has come up with a bill unpublished legal opinion which, if accepted within the administration, would sharply curtail the policy of continuing aid to Turkey.

A legal study has been underway at State ever since Kissinger, responding to a critical questioner at a news conference Aug. 19, conceded that the legality of continued military aid to Turkey would have to be studied. Up to that time, the decision to continue aid after the July 20 invasion had been based on other policy criteria, Kissinger explained.

Since the news conference, department officials have declined any public discussion of the issue, except to say it is a "complex, complicated matter" that is under study.

The study is being conducted under the aegis of Carlyle E. Maw, undersecretary of state for security assistance, who until a few months ago was legal adviser to the State Department and who, in private life, has served as Kissinger's private counsel.

Maw declined yesterday to respond to questions relating to the study. But an authoritative official disclosed that Maw late last month rejected an early draft of the legal study as "incomplete . . . not adequate . . . too hasty a job."

According to a variety of sources close to the department, an early draft of the study and a later version which the legal staff is still working on concluded that continued U.S. aid to Turkey without a special presidential intervention violates both the letter and the spirit of the Foreign Assistance Act of 1961. Under that law, military aid is limited to purposes of self defense or to participation in regional defensive alliances such as NATO.

According to this inhouse reading, the only justification for continued aid to Turkey would be a narrowly circumscribed loophole in the law. This waiver clause would empower Ford to authorize up to $50 million a year in aid to a nation making aggressive war "when the President determines that such authorization is important to the security of the United States."

Congressional sources speculated privately that a presidential appeal to "national security" on this issue would aggravate still further the strained U.S. relationship with Greece, which has announced withdrawal from NATO over the Cyprus issue and is threatening to take over U.S. military bases.

State Department spokesman Robert Anderson acknowledged, however, that Kissinger met Saturday with Maw and other top advisers to discuss the issue. Kissinger will raise the question with Ford in the next few days, Anderson said, and Ford himself would soon be conferring with congressional leaders.

Congress is definitely shaping up to be a problem for the administration. The seven-page Library of Congress opinion delivered today unequivocally comes down on the side of a rigid congressional prohibition against supplying arms for purposes unrelated to national self-defense or regional defense.

"That U.S. military aid is intended for the sole and exclusive purpose of permitting the recipients to defend themselves against aggression . . . seems to permeate the laws governing this matter," the opinion declares. "The principal purpose of U.S. military aid was intended for defensive, rather than aggressive purposes."

Accordingly, the opinion concludes that it is "beyond debate" that U.S. military aid "is intended for defensive purposes exclusively . . ." Further, that use of U.S. military supplies "for other than defensive purposes . . . is barred by law."

The opinion was prepared at the request of Sen. Thomas F. Eagleton, D-Mo., who last week issued a statement denouncing continued aid to Turkey as a violation of the law. Eagleton has also proposed a Senate resolution against the aid policy, claiming that the U.S.-Turkish bilateral aid agreement of 1947 was directly violated by the Turkish invasion of Cyprus.

Amendments to the current Foreign Assistant Act which would summarily cut off aid to Turkey are now pending in both houses.

[From the Washington Star-News, Sept. 13, 1974]

FOREIGN AID FOCUS MOVES TO TURKEY

(By Oswald Johnston)

South Vietnam provided the public focus of President Ford's first foreign policy message to Congress. But the practical effect of the administration's likely strategy for salvaging its foreign aid programs would benefit Turkey almost exclusively.

The message Ford sent up to Capitol Hill yesterday inveighed against "deep cuts" in the aid programs he inherited from the Nixon administration. In his meeting with congressional leaders as described by Acting Press Secretary John Hushen, the President expressed alarm at the congressional decision to halve the administration's $1.4 billion military aid request for Saigon.

But in conversation with reporters later, Senate Minority Leader Hugh Scott, R-Pa., let the cat out of the bag. Abandoning the foreign aid bill at least until after November's congressional elections and making do instead with an extension of last year's programs is "a real possibility," he said.

Doing that would have no effect on the congressional decision to cut Saigon's military aid to $700 million. That economy move is contained in the defense budget, which has been passed by Congress and for practical purposes is untouchable.

At the same time, temporarily abandoning the aid bill would hold economic aid to Saigon to a level some $70 million below the most drastic cuts imposed in the Senate on the administration program.

Resorting to a "continuing resolution" to maintain foreign aid at last year's levels would nullify the growing campaign in Congress to cut off military aid to Turkey at least until a post-election lame duck session if there is one, or more likely into next year.

Congress reacted to what was widely seen as a seriously flawed administration policy during the Cyprus crisis with a frontal attack on Secretary of State Henry A. Kissinger's decision to keep up military aid to Turkey after the Turkish invasion of Cyprus.

Many congressmen are convinced those aid shipments violate legislation limiting U.S. military supplies to purposes of self-defense, and a Library of Congress study earlier this week supported this view.

According to informed reports which have not been denied by State Department officials, an in-house legal study prepared for Kissinger has concluded that the only way to justify continued aid to Turkey is for Ford to invoke a special waiver clause in the Foreign Assistance Act. Under this special exception, the President must certify that continued aid "is important to the security of the United States."

To force the issue, amendments to current foreign aid legislation are pending in both houses to cut off all aid to Turkey until the Cyprus issue is resolved. Kissinger is known to feel such a cutoff—however mandated in theory by law—would play havoc with his design of offsetting the Cyprus policy fiasco

by appeasing the Turks and wooing the Greeks back into the North Atlantic Treaty Organization's military alliance.

Accordingly, abandonment of the administration aid program this year, as Scott hinted, would certainly kill off the anti-Turkey amendments and probably give Kissinger a chance to circumvent the legal issue for a few more months.

Congressional limitations on foreign assistance, Hushen told White House reporters yesterday in a virtual word-for-word echo of Kissinger's own rhetoric on this kind of issue, would "drastically reduce (the administration's) ability to conduct foreign policy."

The statement obviously was an allusion to the Turkish aid question, but most of the direct references at the White House yesterday were to South Vietnam.

The cuts in military aid to Saigon, Hushen said in a declaration that could have been made at any time in the past 10 years, "severely reduce South Vietnam's ability to defend itself . . . in the face of increasing North Vietnamese military actions."

[From the Washington Post, Sept. 18, 1974]

U.S. ARMS FLOW TO PERSIAN GULF

(By Jim Hoagland)

BEIRUT, September 17.—Kuwait is to sign a contract this week for $450 million worth of American arms and equipment, including advanced design Hawk surface-to-air missiles, and will shortly open final negotiations for American fighter bombers, Arab military sources said today.

The Kuwaiti purchases and large-scale buying of aircraft by Saudi Arabia form part of a heated arms-buying campaign that is turning the Persian Gulf into a gigantic armory.

Arab oil producers have already committed themselves to buy more than $2.7 billion worth of airplanes, missiles, tanks and other equipment from the United States and Western Europe this year.

Iraq is reported by Western diplomats to be receiving about $1 billion in arms supplies from the Soviet Union this year and neighboring non-Arab Iran has placed orders for more than $2.5 billion in arms.

Kuwaiti officials stress that their arms buildup is a defensive one. An incursion by Iraqi forces into northern Kuwait last year has heightened fears of the Connecticut-sized sheikhdom's being swallowed up by its bellicose neighbor to the north.

The Kuwaiti decision to buy U.S. warplanes instead of British Jaguar aircraft represents a commercial and strategic victory for the United States in the escalating race to sell rich countries of the Persian Gulf.

But the pending negotiations emphasize a growing U.S. dilemma on arms sales to Arab countries. Prospective Arab customers reportedly are pressing for more sophisticated fighters with greater range and firepower than Washington appears willing to provide.

Strong reaction from Israel and its supporters in Washington can be expected if the Arab desires are met.

But Arab military analysts are saying privately that the United States runs the risk of being accused even by its Arab friends of trying to pawn off inferior goods on the Arabs and thereby losing sales that would help the economically depressed American aerospace industry and give the United States more leverage in the Arab world.

Kuwait, which is involved in a billion dollar expansion of its tiny armed forces, has already rebuffed American efforts to push the Northrop F-5E in sales negotiations that began nearly 18 months ago.

The Kuwaitis turned to the British Jaguars rather than accept the smaller plane. But American hints that a large arms package deal would imply a strengthening of American-Kuwaiti defense ties and a willingness to offer larger aircraft, have brought the Kuwaitis back around to committing themselves to buy American.

Kuwait, concerned about a continuing Russian arms buildup in neighboring Iraq, is shopping for 38 fighter bombers to go with one squadron of French Mirage F-1 jets ordered earlier this year.

American planes under discussion are the McDonnell Douglas phantom F-4, one of the mainstays of the Israeli air force, and the more recent, longer range Ling-Temco-Vought A-7 Corsair.

The Corsair, a U.S. Navy light attack bomber, is capable of reaching the borders of Israel from Kuwait. It has been exported to only a few countries in Western Europe.

The Pentagon is said to have recommended to Kuwait the A-4F, an older model of the McDonnell Douglas Skyhawk than that possessed by the Israelis, who have made significant modifications in the aircraft.

In Saudi Arabia, the United States faces a similar problem King Faisal is reported by reliable Arab sources to be under pressure from young Saudi pilots and high-ranking Egyptian officers, who have a formal advisory role in Saudi Arabian arms purchases, to reject American efforts to sell 32 F-5Es to the Saudi air force.

The Saudis have been rankled by reports circulating in Riyadh that a U.S. Defense Department evaluation team that visited Saudi Arabia this summer concluded that Saudi pilots are not sufficiently prepared to handle and maintain more sophisticated aircraft. The team reportedly stressed the ease of maneuverability and maintenance of the F-5E, which is in wide use in developing countries.

Saudi Arabia has purchased three squadrons of the Northrop fighter on order and would like to build its air force to 200 combat aircraft. It has already ordered deep penetration French Mirage bombers, which Arab observers here believe are destined for Egypt.

Egyptian President Anwar Sadat recently said that friendly countries were buying warplanes for him to replace Egyptian losses in the October War with Israel.

Kuwait will be filling its immediate priority of air defense by signing $125 million contract with Raytheon this week for Superhawk missiles, an advanced version of the air defense weapon already supplied to Israel and Saudi Arabia and which Jordan is seeking.

The rest of the contract will be for radar, computer systems and buildings to support the air defense system. Yugoslavia will also help Kuwait build airport facilities under a separate contract to be signed this week.

Kuwait has reportedly opted for a defense plan that will have its air force scattered at four or five locations in Kuwait and in neighboring Arab states to prevent a first strike destroying the air force. This is a major factor in the Kuwaiti desire for longer range aircraft, according to Arab sources.

[From the Library of Congress, Congressional Research Service]

MILITARY AID CUTOFF TO AGGRESSOR—RECIPIENTS

Reference is made to your inquiry of August 30, 1974, requesting information on the above matter. Specifically, you ask whether statutes limit extending U.S. military aid to nations which employ same for aggressive purposes inimical to world peace and domestic interests.

That U.S. military aid is intended for the sole and exclusive purpose of permitting recipients to defend themselves against aggression, whether from internal or external sources, seems to permeate the laws governing this matter. Title II of the Foreign Assistance Act of 1961, as amended, relating to the extension of military assistance, rests on the congressional finding that "the efforts of the United States and other friendly countries to promote peace and security continue to require measures of support based upon the principle of effective self help and mutual aid." Accordingly, it is the purpose of this title "to authorize measures in the common defense against internal and external aggression, including the furnishing of military assistance, upon request, to friendly countries and international organizations." Taking note of the dangers to world peace and national security posed by international communism, and so-called wars of liberation, Congress declares that "in the administration of [title II] priority shall be given to the needs of those countries in danger of becoming victims of active Communist or Communist—supported aggression or those countires in which the internal security is threatened by Communist—inspired or Communist—supported internal subversion."

That the principal purpose of U.S. military aid was intended for defensive rather than aggressive purposes is clearly implied by various other statements contained in Title II's statement of policy. Thus, Congress states that the furnishing of military assistance notwithstanding," it remains the policy of the United States to continue to exert maximum efforts to . . . control weapons of mass destruction and universal regulation and reduction of armaments, including armed forces, under adequate safeguards to protect complying countries against violation and evasion." Elsewhere, Congress declares that "[i]n enacting this legislation, it is" its "intention . . . to promote the peace of the world and the foreign policy, security, and general welfare of the United States by fostering an improved climate of political independence and individual liberty, improving the ability of friendly countries and international organizations to deter or, if necessary, defeat Communist or Communist-supported aggression, facilitating arrangements for individual and collective security, assisting friendly countries to maintain internal security, and creating an environment of security and stability in the developing friendly countries essential to their more rapid social, economic, and political progress." § 501; 22 U.S.C. 2301.

The operative provision of the Act is, if anything been more explicit regarding the exclusively defensive purposes of the military and authorized title II. Thus, section 502 provides, in relevant part, that—"Defense articles and defense services to any country shall be furnished solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the recipient country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, or for the purpose of assisting foreign military forces in less developed friendly countries (or the voluntary efforts of personnel of the Armed Forces of the United States in such countries) to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries. . . ." § 503, 22 U.S.C. § 2302.

In authorizing military assistance to friendly foreign countries and international organizations, Congress wrote into the Act the express requirement that the President has to find that the extension of such assistance will strengthen the security of the United States and promote world peace. § 503; 22 U.S.C. § 2311.

In order to be eligible for defense articles on a grant basis, an applicant country, inter alia, must agree, "that . . . it will not, without the consent of the President . . . use or permit the use of such articles for purposes

other than those for which furnished. . . ." § 505(a)(1)(c); 22 U.S.C. § 2314(a)(1)(c). Similarly, Congress enjoined the President from furnishing defense articles on a grant basis to any country at a cost in excess of $3,000,000 unless he determines "that such country conforms to the purposes and principles of the United Nations; that such defense articles will be utilized by such country for the maintenance of its own defensive strength, and the defensive strength of the *free world;* . . ." § 505(b)(1), (2); 22 U.S.C. 2314(b)(1), (2).

Any doubt regarding the mandatory (as distinguished from discretionary) nature of the aforementioned restrictions on foreign military assistance authorized by the 1961 Act should have been dispelled by a significant amendment which was added one year later. Public Law 87-565, Pt. II, § 201(a), 76 Stat. 259 (1962) 22 U.S.C. 2314(d). That amendment which added section 505(d) provides that use by any recipient nation of materials in violation of the terms and conditions contained in this and related laws, past and present, "shall [render it] . . . immediately ineligible for further assistance." Section 505(d) reads as follows:

"Any country which hereafter uses defense articles or defense services furnished such country under this chapter, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance Act, in substantial violation of the provisions of this chapter [§§ 2311-2320] of this title or any agreements entered into pursuant to any of such Acts shall be immediately ineligible for further assistance."

The substance of section 505(d) was proposed in the House version of the Foreign Assistance Act of 1962, H.R. 11921, § 201. The House Report that accompanied the bill (H. Rept. No. 1788, 8th Cong., 2d Sess. pp. 26-27) states, in relevant part, that—

"Section 201(a) amends Section 506 [subsequently renumbered sections 505], relating to conditions of eligibility, by adding a new subsection (c) [subsequently redesignated (d)] providing that any country which hereafter uses defense articles or defense services furnished such country under this act, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance act in violation of any of the provisions of this chapter or any agreements entered into pursuant to any of these acts shall be immediately ineligible for further assistance under this chapter.

"The present act requires that military assistance furnished either through grants or sales shall be solely for the purposes of internal security, legitimate self-defense or the participation in collective arrangements or measures consistent with the United Nations Charter or as requested by the United Nations for maintaining or restoring international peace and security. It also provides for certain conditions of eligibility which include the reaching of agreements as to the use, observation, protection, and disposition of the assistance furnished.

"This amendment will provide the positive penalty not now contained in the law for the future violation of the requirements of this chapter or agreements under which the equipment or services are furnished.

"The committee believes that such a penalty is necessary and will serve notice or agreements as having little or no effect. It is not intended that every small disagreement between the United States and recipient countries on the deployment of units or uses of equipment would serve to make such country ineligible for further assistance. However, where a country actually undertakes an act of aggression or refuses to allow continuous observation of the equipment, diverts substantial quantities of the items furnished, or otherwise violates the terms of its agreements, further assistance under this chapter would be prohibited by this Amendment."

The conference appointed to iron out differences in the measure as passed by the Senate and the House, accepted the latter's recommendation relative to conditions of eligibility with the addition, of the qualification that the violation must be substantial in order for the prohibition to apply. The conference report (H. Rept. No. 2008, 87th Cong., 2d Sess., pp. 17-18) states, in relevant part, that—

"Section 201(a) of the House Amendment provided that any country which hereinafter used defense articles or defense services furnished such country under this act, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance act, where such use was in violation of the provision of the military assistance chapter or any agreements entered into pursuant to any of such acts, should be immediately ineligible for further assistance.

"The Senate bill contained no comparable provision.

"The committee of conference accepted the House provision with an amendment which provided that in order for the section to become operative there must be a 'substantial' violation of the provisions of the military assistance chapter or applicable agreements. The purpose of this amendment is to make clear that minor instances of diversion or improper uses would not work to make countries ineligible for further military assistance."

In keeping with traditional practice, the apparent absolute prohibition contained in section 505(d) is subject to the President's special waiver authority in section 614(a), 22 U.S.C. 2364(a), which reads, in relevant part, that—

"The President may authorize . . . the use of funds made available for use under this chapter and the furnishing of assistance . . . without regard to the requirements of this chapter or any other law, any law relating to receipts and credits accruing to the United States, any Act appropriating funds for use under this chapter, or the Mutual Defense Assistance Control Act of 1951, in furtherance of any of the purposes of such Acts, when the President determines that such authorization is important to the security of the United States . . ." See H. Rept. No. 1788, *supra*, at p. 18.

That military aid under title II is intended for defensive purposes exclusively seems beyond debate. As noted, such assistance was conceived as operating hand in glove with economic aid by enabling recipients to defend themselves sufficiently to allow improvement in economic circumstances which in turn would make communism a less appealing alternative. Use of articles and services for other than defensive purposes, i.e., for aggressive purposes, is barred by law. However, neither the Act nor its legislative history make clear what kinds of activities separate defensive from aggressive purposes. Similarly, aside from the noted statement that a substantial violation which makes section 505 (d)'s prohibition applicable is not intended to apply to minor violations, Congress provided little or no guidance for clearly distinguishing between the two. It is not unlikely that Congress had common sense standards in mind, i.e., general notions of the differences between offense and defense.

RAYMOND CELADA,
Senior Specialist in American Public Law.

SEPTEMBER 9, 1974.

Mr. DOMENICI. Mr. President, I am constrained to vote in opposition to the amendment submitted by my colleague from Missouri. This decision was reached only after carefully weighing both sides of the matter, and I feel that it would be helpful if I explained my vote.

There is no question in my mind that the people of Cyprus have been the victims of a cruel and savage war. It is no secret that this war has been waged on both sides with American arms. And it cannot be denied that those who have suffered the most are the Cypriots of Greek extraction.

However, these undeniable facts must be weighed against the importance of maintaining the NATO alliance. NATO has already been seriously weakened by the withdrawal of Greece. If we provoke Turkey's withdrawal, we could perhaps crumble the allied front against the expansionism of Warsaw Pact countries. I consider this risk too great to justify support of the Senator's amendment.

Furthermore, I can see no beneficial purpose flowing from enactment of Senator EAGLETON's amendment. Turkey is presently possessed with military power which by far surpasses that of Greece. That power could be used to reescalate hostilities on Cyprus even without further American military aid. I believe that the maintenance of American friendship with Turkey may be the only bargaining strength we have in helping to establish peace in this area. Senator EAGLETON's amendment destroys that strength. By voting for the Senator's amendment I would be vindicating a principle, but tempting further tragedy.

I cannot in good conscience support a proposition which runs such a risk.

Mr. EAGLETON. Mr. President, I am prepared to yield back the remainder of my time, which is meager indeed.

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

Mr. EAGLETON. I see no other Senator who desires time. I yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment has been yielded back.

The question is on agreeing to the amendment of the Senator from Missouri. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Florida (Mr. CHILES), the Senator from Arkansas (Mr. FULBRIGHT), and the Senator from New Mexico (Mr. MONTOYA) are necessarily absent.

I further announce that the Senator from West Virginia (Mr. RANDOLPH) is absent on official business.

I further announce that, if present and voting, the Senator from West Virginia (Mr. RANDOLPH) would vote "yea."

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Nebraska (Mr. CURTIS), the Senator from Arizona (Mr. GOLDWATER), the Senator from Maryland (Mr. MATHIAS), and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

I further announce that, if present and voting, the Senator from Arizona (Mr. GOLDWATER) and the Senator from Maryland (Mr. MATHIAS) would each vote "yea."

The result was announced—yeas 64, nays 27, as follows:

[No. 416 Leg.]

YEAS—64

Abourezk	Griffin	Muskie
Allen	Hart	Nelson
Bayh	Hartke	Nunn
Beall	Hatfield	Packwood
Bentsen	Hathaway	Pastore
Bible	Helms	Pell
Biden	Hollings	Percy
Brock	Huddleston	Proxmire
Brooke	Hughes	Ribicoff
Buckley	Humphrey	Roth
Burdick	Inouye	Schweiker
Byrd, Harry F., Jr.	Jackson	Scott, William L.
Byrd, Robert C.	Javits	Sparkman
Cannon	Johnston	Stafford
Church	Kennedy	Stevenson
Clark	Magnuson	Symington
Cotton	McGovern	Taft
Cranston	McIntyre	Talmadge
Dole	Metcalf	Tunney
Eagleton	Metzenbaum	Weicker
Gravel	Mondale	Williams
	Moss	

NAYS—27

Aiken	Ervin	McClellan
Baker	Fannin	McClure
Bartlett	Fong	McGee
Bellmon	Gurney	Pearson
Bennett	Hansen	Scott, Hugh
Case	Haskell	Stennis
Domenici	Hruska	Thurmond
Dominick	Long	Tower
Eastland	Mansfield	Young

NOT VOTING—9

Chiles	Fulbright	Montoya
Cook	Goldwater	Randolph
Curtis	Mathias	Stevens

So Mr. EAGLETON'S amendment (No. 1879) was agreed to.

Mr. EAGLETON. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. STEVENSON. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. STEVENSON. Mr. President, I yield to the distinguished majority leader.

The PRESIDING OFFICER. The Senate will be in order.

LEGISLATIVE BUZZERS AND SIGNAL LIGHTS

Mr. MANSFIELD. Mr. President, I think I should make a statement on the vote for cloture.

Mr. ROBERT C. BYRD. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will please be in order. The Senator will suspend until the Senate is in order.

Mr. MANSFIELD. Mr. President, I think I should make a statement on the vote for cloture which was defeated earlier this afternoon.

Immediately after the vote was announced a Senator who was not here to vote came through the door to the right of the Chamber from where I am standing. On inquiry at the desk concerning the halfway mark when the five bells ring warning Senators that the vote is halfway through, I found that the five bells were rung between 1 and 1½ minutes after the half time.

I do not blame anyone at the desk because it is a human error, and it could happen no matter who was looking after that function. Furthermore, it is a little difficult to keep the tally, call the names, and watch the clock at the same time.

But because of the fact that the regular order was called for at the end of the 15 minutes—and was in order and the Chair ruled that there would be regular order, and that was the correct ruling—I take this occasion to point out that had the bells rung at 7½ minutes rather than 8½ to 9 minutes, this Senator would have been here in plenty of time to cast his vote.

It is the intention of the leadership to acquire an automatic calculator which will be used to definitively mark off the half-time on 15 minute votes, and the 2½-minute period on the 10-minute votes.

I make this explanation just so that the Senate will know where the leadership stands on this matter, which might seem unimportant, but is important as far as an individual Senator is concerned, and I make it for the record with the promise that this matter will be attended to automatically, although it will have to be attended to manually as well so that as far as any Senator is concerned when he looks at the five lights or hears the five bells and see the five lights he can be definitely assured that he will have the full 7½ minutes to get to the floor and vote when votes are of 15 minutes duration, as they almost always are. It is the exception when we agree to a 10-minute time limitation.

Mr. STEVENSON addressed the Chair.

Mr. MANSFIELD. Mr. President, if the Senator will yield further, and even at the 10-minute vote, with the bells ringing the Senator will still be assured of 7½ minutes to get to the floor and vote, at the end of 2½ minutes.

EXPORT-IMPORT BANK AMENDMENTS OF 1974

The Senate continued with the consideration of the bill (S. 3917) to amend and extend the Export-Import Bank Act of 1945, as amended, and for other purposes.

Mr. STEVENSON. The Senator from Oregon (Mr. PACKWOOD) and I have an amendment at the desk which I call up.

The PRESIDING OFFICER. The clerk will state the amendment.

The assistant legislative clerk proceeded to read the amendment.

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

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

The amendment is as follows:

SECTION 1. On page 5, beginning on line 6, strike all through page 6, line 16, and insert in lieu thereof the following:

SEC. 4. Section 2(b)(2) of the Export-Import Bank Act of 1945 is amended to read as follows:

"(2) The Bank in the exercise of its functions shall not guarantee, insure, or extend credit, or participate in any extension of credit—

"(A) in connection with the purchase or lease of any product by a Communist country (as defined in section 620(f) of the Foreign Assistance Act of 1961), or agency, or national thereof, or

"(B) in connection with the purchase or lease of any product by any other foreign country, or agency or national thereof, if the product to be purchased or leased by such other country, agency, or national is, to the knowledge of the Bank, principally for use in, or sale or lease to, a Communist country (as so defined),

unless the President determines that guarantees, insurance, or extensions of credit in connection therewith to such Communist country would be in the national interest. The President shall make a separate determination with respect to each transaction in which the Bank would extend a loan, or guarantee, or combination thereof, to such Communist or such other country, or agency, or national thereof an amount of $40,000,000 or more. Any determination required under the first sentence of this paragraph shall be reported to the Congress not later than the earlier of thirty days following the date of such determination, or the date of which the Bank takes final action on a transaction which is the first transaction involving such country or agency or national after the date of enactment of the Export-Import Bank Amendments of 1914, unless a determination with respect to such country or agency or national has been made and reported prior to such date of enactment. Any determination required to be made under the second sentence of this paragraph shall be reported to the Congress not later than the earlier of thirty days following the date of such determination or the date on which the Bank takes final action on the transaction involved.".

SEC. 2. On page 6, beginning on line 17 strike all through line 22 on page 14.

"SEC. 5. CONGRESSIONAL NOTIFICATION. Section 2(b) of the Export-Import Bank Act of 1945 is amended—

(1) by striking out paragraph (5);

(2) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(3) by inserting after paragraph (2) the following new paragraph:

"(3) No loan, or guarantee, or combination thereof in an amount which equals or exceeds $60,000,000 shall be finally approved by the Board of Directors of the Bank unless the Bank has submitted to the Congress with respect to such loan, guarantee, or combination thereof a detailed statement describing and explaining the transaction at least thirty legislative days prior to the date of final approval. Such statement shall contain the following:

"(A) A description of the purpose of the transaction; the parties thereto, including the buyer and seller; the goods and services to be exported; the terms and conditions of Bank and private sector participation therein; and a full explanation of the need for Bank participation therein; and

"(B) A detailed statement of the impact of the proposed loan or guarantee, or combination thereof, on the national security and economy of the United States, including the effect on (i) employment in the United States; (ii) the competitive position of United States industries; (iii) the availability and price of goods in the United States of the kind to be exported; and (iv) the availability of technology, technical data, or other information not otherwise available to the purchaser."

SEC. 3. On page 16, line 7, strike "$30,000,000,000 and insert the following:

"$25,000,000,000: *Provided*, That after the date of enactment of the Export-Import Bank Amendments of 1974, the Bank shall not approve any loans or guarantees, or combination thereof, in connection with exports to the Union of Soviet Socialist Republics in an aggregate amount in excess of $300,000,000."

SEC. 4. On page 16, line 11, strike "June 30, 1978" and insert the following:

"June 30, 1978: *Provided*, That after June 30, 1976, the Bank shall issue no loan, guarantee, or insurance in connection with the

purchase of any goods or services by a Communist country (as defined by section 620(f) of the Foreign Assistance Act of 1961, as amended, excluding Romania and Yugoslavia) or any agency or national thereof".

SEC. 5. On page 14, line 24, and on page 15, line 1, strike "(6)" and insert in lieu thereof "(5)".

Mr. STEVENSON. This amendment is offered on behalf of myself, Mr. PACKWOOD, Mr. SPARKMAN, Mr. JACKSON, Mr. RIBICOFF, Mr. JAVITS, Mr. TOWER, Mr. BENNETT, Mr. CRANSTON, Mr. MONDALE, Mr. MCINTYRE, Mr. JOHNSTON, Mr. HUMPHREY, Mr. HATHAWAY, Mr. TUNNEY, Mr. BROCK, Mr. CASE, and Mr. WILLIAMS.

Mr. President, there is general agreement that close congressional scrutiny of the Export-Import Bank is in order. The Bank is a public institution with many billions of dollars in public resources at its command.

In today's international economic and political environment, it is a powerful instrument of U.S. policy. But prescribing the proper role for the Congress in exercising closer scrutiny without injecting it into the day-to-day operations of the Bank involves delicate balances which are not easy to strike.

S. 3917 contains a number of flaws. First, it contains no ceiling on authority for future Soviet Union transactions despite the intense concern raised by the recent infusion of massive credits to the Soviet Union—$469 million in direct loans at 6 percent interest in little more than a year.

Second, the provision for congressional reassessment of Communist country transactions is inadequate. Instead of requiring the Bank to come back to Congress and explain its Communist country activity, S. 3917 shifts the burden to the Congress. Under the bill, unless Congress takes affirmative action to disapprove authority for Communist country transactions prior to the start of any fiscal year, the Bank can continue to extend credits to Communist countries for the full 4-year extension period without *having to* explain its actions to Congress.

Third, the requirement that the President make a national interest determination for each major Communist country transaction applies only to loans, not both loans and guarantees. Their exclusion creates an anomaly and a loophole.

Fourth, and perhaps most important, congressional review of major Eximbank transactions not only fails to cover guarantees as well as loans, but also permits the Banking Committee of either House to short circuit the entire review process by granting approval of a given transaction before the full Congress had an opportunity to act. The review process omits an essential element of effective oversight—that the Bank make and submit to the Congress an assessment of the impact of a proposed major transaction on such vital matters as employment in the United States, the competitive position of U.S. industries, shortages, and technology transfers.

While I and many others see these flaws in S. 3917, my distinguished colleague from Oregon, Senator PACKWOOD, and others see it differently. They raise constitutional and pragmatic objections to congressional review and possible veto of major transactions. They believe that Congress is inadequately equipped to scrutinize and make final decisions about whether any given transaction should be consummated. They believe that it is a violation of separation of powers to have the Congress intimately involved in the day-to-day functions of the Bank. Moreover, they also believe that the intense scrutiny which has been given the Bank over the last year makes specific Soviet Union or Communist country limitations unnecessary. They believe that in the future the Bank will pay more careful attention to the concerns of the Congress in its Soviet Union and Communist country transactions.

After long negotiations, involving Senators PACKWOOD, JACKSON, RIBICOFF, the Export-Import Bank, and others, a compromise has been reached which is addressed to these issues and endeavors to strike that delicate balance between the operational requirements of the Bank and the responsibilities of Congress.

Its essential elements, incorporated in this amendment, are as follows:

First, congressional review of major Eximbank loans with provision for disapproval is deleted. In its place is prenotification to the Congress of all major transactions—both loans and guarantees which separately or in the aggregate equal or exceed $60 million—together with a detailed impact statement assessing the effect of the proposed transaction on the national security and economy of the United States. To be included is an assessment of the effect on such matters as: First, employment in the United States; second, the competitive position of U.S. industries; third, shortages; and fourth, technology transfers. While this provision does not provide a vehicle for congressional veto, in many ways it provides a more effective method of congressional oversight, especially when combined with the other elements of the compromise.

Second, the Bank's overall authority will be increased by $5 billion—to $25 billion—instead of by $10 billion. This will mean that the Bank will be required to come back for new authority in a shorter time than would be the case with a $30 billion authorization. Having been kept informed of all major Eximbank transactions in the interim, the Congress will be in a better position to assess the need for any subsequent increase in the Bank's commitment authority.

Third, the Bank's authority to make new commitments to the Soviet Union will be limited to $300 million. When that ceiling has been reached, the Bank will have to seek new authority for Soviet Union transactions. This will insure closer oversight of the Bank's activities in the Soviet Union and permit a more precise assessment of the progress in U.S.-U.S.S.R. relations.

Fourth, the Bank's authority to provide assistance to Communist countries will be extended for only 2 years instead of for the full 4 years otherwise provided. This limitation will not apply to Yugoslavia and Romania. Again, this will insure the Congress of a greater oversight role and provide it with an opportunity to reassess in a relatively short time the progress being made in U.S. relations with Communist countries.

And finally, the required Presidential national interest determination for each $40 million Eximbank Communist country transaction will be expanded to include guarantees as well as loans. This will close what would otherwise constitute a serious loophole.

Taken together, the provisions of this amendment will insure closer congressional oversight without involving the Congress in the day-to-day decisions of the Bank. It will insure greater Bank attention and responsiveness to the concerns which have been expressed in the Congress—concerns relating to the economic consequences of special public assistance to the export sector, U.S. financing of industrial development abroad, the impact of Eximbank activity on U.S. labor and industry, and U.S. foreign relations, including its relations with the Soviet Union. At the same time it maximizes the Bank's flexibility and insures that it will continue to play a significant role in promoting U.S. exports.

Together with the other provisions of the bill, it will strengthen and improve the Bank. It will resolve much of the controversy which has surrounded its activities in recent years. And it will insure that the Bank serves the Nation's best interests.

Mr. PACKWOOD. Mr. President, these last several months have witnessed one of the most exhaustive exercises in legislative investigation I have seen as the Senate and the Banking Committee has proceeded to study the Export-Import Bank of the United States and its Charter Act. We have undergone a most arduous inquiry, a most taxing experience in arriving at this point today. Each of us have had our differences in terms of the appropriateness of various suggestions for changing the Export-Import Bank Act.

For these reasons, I am particularly pleased to be able to join today with Senator STEVENSON and others in urging the adoption of a series of amendments which will serve to strengthen the legislation before us, as well as to strengthen the role of Congress in oversight on the Bank's operations.

I am certain it comes as no surprise to many of my colleagues that I have been concerned for some time now over the future viability of the Bank as a functioning institution. For these last 4 years as the ranking Republican member of the Subcommittee on International Finance, I have studied the Bank's operations extremely closely. Generally, I have been pleased with what I have seen. The Bank performs a needed service to the Nation as it seeks to encourage and enable American producers of goods and services to compete in world trade. Especially at the current time, the United States must continue to do everything necessary to encourage our manufacturers to produce for world markets as well as domestic. We must work mightily to maintain our role in world

commerce if we are to be able to continue to import petroleum, raw materials, and other goods that our economy and our citizens demand. The Bank is a major force in this endeavor.

The amendments that we are offering this afternoon are designed to meet the conflicting views of many of us. Each of us has yielded a bit from what we might have wanted in a pure sense in order to attain what each of us can embrace in a real sense. In this respect, what we are considering now is, in the best meaning of the word, a compromise among competing interests and positions. It is a good compromise, one with which we can all live easily.

Let me take just a few moments to outline the elements contained in this amendment.

First, we will remove section 5 from S. 3917. This section would have provided for congressional review and disapproval of selected loans by the Bank. It would also have made it possible for the Congress to disapprove of the Bank doing further business with any or all Communist countries at any time.

Second, we will add several provisions in lieu of that material:

The Bank will be required to notify the Congress at least 30 days prior to taking final action on any loan, loan guarantee, or combination of the two in an amount of $60 million or more. This notice will be accompanied by a detailed economic and strategic impact statement setting forth the details of the pending transaction;

The President will be required to certify that each loan, loan guarantee, or combination of the two in an amount of $40 million or more to a Communist country is in the national interest;

The act will be extended for 4 years, but the commitment authority ceiling will be raised to $25 billion instead of the $30 billion in the committee's bill. This will insure that the Bank will return to Congress within 2 years for an increase in authority at which time we can continue our examination into their operations;

There will be a subceiling on loans, loan guarantees, or combinations of the two to the Soviet Union in an aggregate amount of $300 million; and

There will be a separate expiration date for Communist countries—except for Yugoslavia and Rumania—set at June 30, 1976.

Adoption of these amendments will perfect this legislation in a manner designed to insure that Congress is kept fully informed of the Bank's activities. In so doing, Congress will be able to exercise its oversight function from a position of knowledge. We will be able to judge the continuing role of the Bank in furthering American trade interests. We will be able to make intelligent and informed judgments on United States international economic policy and the role of the Bank in the development and implementation of that policy.

What is equally important, however, is that we will be able to do this under the terms of these amendments with a minimum of political interference in the business-like operations of the Bank. The Bank will continue to be in a position to exercise its best judgment on individual cases under the terms of the law.

The most important objective of this entire legislative pursuit, and the most important aspect of this legislation and these amendments is the fact that the United States will continue to compete fully in world trade.

We will signal to the world that we have no intention of crawling back into our shell and retreat from the world simply because the going has gotten a bit tough. We will be signaling our allies that we mean business when we send Bill Casey to Brussels or wherever to negotiate changes in the structure of official export-credit supports. In short, the Congress is signaling the world that the United States is very much alive and well and a force with which to be reckoned in world trade.

Now let me return for just a few moments to the amendments to discuss a few points that deserve additional clarification. The amendment provides that loans, loan guarantees, and combinations of the two of $60 million or more will be reported to Congress at least 30 days prior to the Bank's taking final action on the case. As the committee pointed out in its report on this legislation, we fully expect the Bank to be above-board in its calculations of total value in these cases. We do not expect the Bank to allow foreign purchasers to so structure their requests as to undercut the prior notice provisions in these amendments. I have every confidence that the Bank will be its own best guard in insuring that this does not happen.

At the same time, we in Congress must be sensitive to the limitations of the Bank in its ability to report to us on individual loans and guarantees under the provisions of these amendments. We must be realistic in our expectations. Certain information that will be made available to Congress will be, at best, an approximation. For instance, the reporting requirement has the Bank outlining the terms and conditions of the proposed loan and loan guarantee. Under the Bank's current method of floating its interest rate as well as the percent of participation, in short, of tailoring their participation terms and conditions to each individual case, they simply will often be unable to pinpoint with a degree of certified precision exactly what the terms and conditions of a particular loan package will be 30 days in advance of their decision. They will, of course, be called upon to furnish as nearly precise information as is available.

Along this same line, the amendments require the Bank to identify the "sellers" of the goods and services to be exported. In some cases, the "seller" is really nothing more than a prime contractor of sorts who draws from a variety of sources—secondary "sellers," if you will—in fulfilling the terms of the transaction. In such a case, the Bank will be able to identify the so-called prime contractor, but may very well not be in a position to identify all of the "sellers" of goods and services in a specific transaction before actual shipments occur. We must be realistic in recognizing and accepting such limitations.

Furthermore, the reporting requirement calls on the Bank to detail the terms and conditions of private financial participation in a particular transaction. Here, especially, we must be careful lest we do damage to the principle of confidentiality under which private enterprises, including private financial enterprises, operate. We must be ever watchful lest we do irreparable damage to the commendable pursuit by the Export-Import Bank to encourage private financial institutions to get more involved in financing world trade. If we are not careful in our scrupulous adherance to the principle of maintaining such private information in the strictest confidence, we could very well be acting to discourage private financial institutions from participating with Eximbank in financing world trade. I am confident that none of us wishes this to happen and that each of us will strive to insure that it does not.

Working together in an atmosphere of reason, trust and common purpose, we can secure what is best for this Nation. I firmly believe that the legislation with these amendments meets this objective.

I urge the Senate to adopt these amendments.

Mr. HARRY F. BYRD, JR. Will the Senator yield?

Mr. STEVENSON. Yes, I yield to the Senator from Virginia.

Mr. HARRY F. BYRD, JR. I was not clear as to the point made by the Senator from Illinois in regard to the $300 million credit to Russia.

As I understand it, Russia has already received $469 million in credit, which exceeds the $300 million limit.

Is the $300 million mentioned, in addition to the $469 million?

Mr. STEVENSON. The Senator is correct, that would be in addition to the $469 million, which is already outstanding.

Mr. HARRY F. BYRD, JR. Under the proposed amendment the Senator has just sent to the desk, it would then permit another $300 million over and above the $469 million?

Mr. STEVENSON. That is correct, subject also to the authority for continued transactions in all Communist countries over a period of 2 years as opposed to 4 years for transactions elsewhere in the world.

Mr. HARRY F. BYRD, JR. May I ask this, does not the Senator from Illinois feel that $469 million for one country is adequate without including another $300 million?

Mr. STEVENSON. I do. I am sure many of the Senators are concerned.

There are other provisions in this amendment which are addressed to those concerns, concerns which I share.

Many of the transactions in the Soviet Union are large development-type transactions, and those are the ones most likely to have adverse economic consequences in the United States. They could start manufacturing trucks in competition with American manufacturers, and so forth.

So, in addition to the $300 million ceiling and the 2-year ceiling, there is another provision which requires submission of all transactions of more than $60 million to congressional review. That is to say, the Bank will be required to give Congress advance notice in such transactions and then with that notice Congress, if so disposed, could move to prevent them.

Mr. HARRY F. BYRD, JR. But the Bank is authorized under the pending amendment, as I understand it, to make an additional loan up to $300 million to the Government of the Soviet Union?

Mr. STEVENSON. Well, it is not additional authority. The authority is contained in the $25 billion figure.

This figure is a ceiling, a limit on additional credits which could be extended to the Soviet Union.

Mr. HARRY F. BYRD, JR. It permits the $300 million over and above the $469 million already committed to the Soviet Union?

Mr. STEVENSON. The Senator is absolutely correct, and without such a ceiling the Bank would have a $25 billion blank check, as it has had historically, with which to make loans in any country in the world.

Mr. HARRY F. BYRD, JR. Since the Senator from Illinois has expressed concern about the total amount available to the Soviet Union under this legislation, I wonder if the Senator from Illinois would not be willing to lower that $300 million, bearing in mind that the Soviet Union already has got almost half a billion dollars of American tax funds at 6 percent interest when the American working people are paying 12 percent interest?

Mr. STEVENSON. Well, the Senator from Illinois is very sympathetic to the viewpoint of the Senator from Virginia, but as I tried to mention eariier, there are a number of provisions in this amendment, they are delicately balanced, and they reflect a compromise which includes many provisions.

I personally would be sympathetic to a slightly lower figure, but I think this is reasonable in light of the other safeguards the amendment entails.

Mr. HARRY F. BYRD, JR. What are the other aspects of this amendment. That is one aspect. What else is delicately balanced?

Mr. STEVENSON. The amendment also—and I know the Senator had an interest in this provision—reduces the overall authority of the Bank from $30 billion to $25 billion.

It provides for prenotification to Congress of Ex-Im transactions not only in the Soviet Union but everywhere in the world of $60 million or more.

It requires an impact statement to accompany such prenotification. That statement will assess the impact on national security, the economy, labor, industry, shortages, and technology transfers.

It enables Congress to disapprove such transactions. It places a $300 million ceiling on new commitments to the Soviet Union.

Mr. HARRY F. BYRD, JR. What does that mean, if I may interrupt the Senator at that point. Does that mean the loans have to be repaid in 2 years?

Mr. STEVENSON. No, this refers to the time during which the loans can be made.

As the Senator knows, these are long-term loans that go out for a period of many years, but the Bank would have no authority to make any additional loans for the benefit of the Soviet Union.

I remind the Senator that U.S. exporters are the beneficiaries of these loans.

Mr. HARRY F. BYRD, JR. In other words, this $300 million would have to be committed between now and June 30, 1976?

Mr. STEVENSON. It would not have to be, but on that date the authority to use any part of that $300 million would expire.

Mr. HARRY F. BYRD, JR. Then may I ask this question, Does the entire act expire at the end of 2 years?

Mr. STEVENSON. No, the entire act expires at the end of 4 years. This is a subceiling for transactions in Communist countries.

Mr. HARRY F. BYRD, JR. So there would be no transactions carried out between the United States and foreign countries except within the 2-year period.

At the end of that time, what happens?

Mr. STEVENSON. Well, at the end of that time the Bank will still have the authority to finance U.S. export transactions in all other parts of the world except in Communist countries.

At that time, in order to continue financing U.S. exports in Communist countries, except for Rumania, Yugoslavia, the Bank would have to come back to Congress for authority to do so.

Mr. HARRY F. BYRD, JR. Well it just occurs to me, we are doing an awful lot for Russia. There is $469 million that Russia has already gotten of American tax funds on which they pay 6 percent interest. The working people of this country, when they go to the bank to borrow money on their homes, or to buy a refrigerator, or whatever they might need, are paying 12 percent.

Does this bill have any floor on interest rates at which money can be loaned?

Mr. PACKWOOD. May I respond to the Senator from Virginia?

Mr. HARRY F. BYRD, JR. Please.

Mr. PACKWOOD. The Senator from Pennsylvania (Mr. SCHWEIKER) is going to be presenting an interest rate amendment, and the Senator from Tennessee (Mr. BROCK) will offer a substitute. We will have a general discussion on the subject of interest rates, and whether or not the bank should be loaning at the rates they are loaning. This would apply generally to all bank loans, however, not just to Russia.

As far as the particular interest rates in the amendment offered by the Senator from Illinois and myself, they would not vary as between what might be a credit to a Communist country and a credit to Germany or a credit to Mexico. That subject will be argued.

But I think the point to look at—and it is a fair philosophical point, when we get to the interest rate amendment—is do we want to encourage competitive exports from this country with other countries, and other countries in one form or another subsidize exports? Maybe we do not. That is a point we will argue.

But in terms of total credits to Russia, when you realize that with the $300 million limit in this bill, $469 million outstanding, at the zenith they could have $769 million in credits outstanding against a $25 billion authorization.

So it is not an overwhelming amount in terms of the Bank's commitment, and they will be up to their $25 billion authorization in 2 years. Russia is a good commercial credit risk.

I am not here to argue with the Senator about their World War II lend-lease debt. But they are a good commercial credit risk. They pay their bills and they have been financing exports in a variety of Western European countries for years. They have been buying from us for years, partially in cash; partially in credit. I think this provision is a good compromise. Senator STEVENSON and I and the Banking Committee have worked on it at length. It will allow, unless we positively come back in 2 years and approve it, extension of credits only for those 2 years to the Soviet bloc countries.

I think it is a fairly satisfactory compromise when you consider a $25 billion loan guarantee capacity for the Bank.

Mr. HARRY F. BYRD, JR. I say to my friend from Oregon, I do not blame the Soviet Union for dealing with us when they are paying for the goods with our money, which they are getting at 6 percent, which is way below what they can get in any part of the world.

Mr. PACKWOOD. They are not getting it at 6 percent.

Mr. HARRY F. BYRD, JR. That is what the Senator from Illinois said. He said $469 million with 6 percent interest.

Mr. PACKWOOD. Those are past loans.

Mr. HARRY F. BYRD, JR. That is what I am talking about. That has actually been done.

Mr. PACKWOOD. They are not getting them at 6 percent now.

Mr. HARRY F. BYRD, JR. They said they had been getting them within the past year, if I recall.

Mr. STEVENSON. It has been about a year-and-a-half since the first credits to the Soivet Union.

Mr. HARRY F. BYRD, JR. We know what the interest rates in this country have been in the year-and-a-half.

Mr. PACKWOOD. This is not money given to the Soviet Union. It is not money that ever leaves the United States.

Mr. HARRY F. BYRD, JR. It is money loaned to the Soviet Government at a subsidized interest rate, at an interest rate of about one-half of what the American working people are paying for their money.

Mr. PACKWOOD. No. The Senator is off on his percentage by a fair amount at the time the loans were made.

Mr. HARRY F. BYRD, JR. The United States does not have a ceiling on the present loan of $300 million?

Mr. PACKWOOD. What does the Senator mean by ceiling?

Mr. HARRY F. BYRD, JR. On the interest rate, or floor on the interest rate.

Mr. PACKWOOD. No. But we are going to get to it.

Mr. HARRY F. BYRD, JR. But we are talking about this amendment now.

Mr. PACKWOOD. This amendment here, whether or not you leave in or leave out the argument about Communist Russia, you can make the same argument about interest rates in terms of a guarantee to Germany or a guarantee to Great Britain, as to whether or not interest rates should be allowed to represent roughly what the Bank's cost of borrowing money is, or whether you want to raise it up to the prime rate as the Senator from Pennsylvania will offer when he offers his amendment.

Mr. HARRY F. BYRD, JR. What I am trying to understand is that the proposal submitted by the Banking Committee to the Senate does not put a floor on the interest rate, as I understand.

Mr. PACKWOOD. Does not put a floor, does not put a ceiling, that is correct.

Mr. HARRY F. BYRD, JR. I am not speaking about what amendment the Senate might or might not adopt. Under the bill as presented to the Senate, Russia can continue to get loans at 6 percent if the Export-Import Bank is willing to loan at 6 percent?

Mr. PACKWOOD. No. First, the Export-Import Bank, under law, is required to loan at competitive rates, and 6 percent is no longer a competitive rate.

Second, they have to recover the cost of the money they borrow. They have a lot of long-range borrowings out running through 1989 that they borrowed at 5 and 5¼ percent. They average the cost of money on the borrower in order to make loans. Their recent borrowings have been quite high. They have been paying in the range of 9 or 9½ percent for money. But the Export-Import Bank does not cost the people of the United States any money.

Mr. HARRY F. BYRD, JR. They subsidize the interest rates involved in this so the taxpayers do subsidize the interest rates.

Mr. PACKWOOD. When you say subsidize, it is like there is an appropriation from the Treasury, that there was money of the taxpayers being put into this. The taxpayer does not put money into the Export-Import Bank. The bonds are sold on the market, and they gather money this way. They then loan their money, with guaranteed credits or otherwise, to help us make exports. But they do not come to the Treasury and ask for money. They are a break-even operation and so far they have been able to make loans over the years at what has been the average cost of their obtaining money.

Mr. SCHWEIKER. Will the distinguished Senator yield?

Mr. PACKWOOD. I yield to the distinguished Senator from Pennsylvania.

Mr. SCHWEIKER. I would like to say to my distinguished colleague from Virginia that I have an amendment that goes to the heart of this issue, that provides that any loans made from Eximbank must be at comparable prevailing rates in this market. So there would be an even-steven deal and there would be no subsidy. Foreign businessmen would have to compete equally with American businessmen.

Mr. HARRY F. BYRD, JR. The Senator from Pennsylvania mentioned a subsidy, so I assume he does not agree with the Senator from Oregon.

Mr. SCHWEIKER. That, in substance, is correct, too.

Mr. HARRY F. BYRD, JR. May I ask another question about guarantees? We have been speaking of loans. What about guarantees to the Soviet Union? Have there been any guarantees?

Mr. STEVENSON. There have been no guarantees to the Soviet Union, out of the limitation which I mentioned, the $300 million limitation, and the $60 million prenotification requirement include guarantees as well as loans.

Mr. HARRY F. BYRD, JR. In other words, any guarantees would be within that?

Mr. STEVENSON. It would be treated just as a loan.

Mr. HARRY F. BYRD, JR. It would be treated as a loan for the purpose of this?

Mr. STEVENSON. That is correct.

Mr. PROXMIRE. Will the Senator yield?

Mr. STEVENSON. I yield to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, on the amendment on page 2 it states:

Section 2 on page 6, beginning on line 17, strike out all through line 22 on page 14.

I notice that at the top of page 7 in the bill, and this is language that is stricken by the Stevenson-Packwood amendment, it provides that the bank shall transmit to the Committee on Banking, Housing, and Urban Affairs in the Senate and the Committee on Banking and Currency in the House, a written report with respect to any loan proposed by the Bank in the amount of $50 million or more, and may not grant final approval of such transaction if, during the period of 30 calendar days, the Senate and the House of Representatives agree by resolutions of their respective Houses expressing disapproval of such transaction.

In other words, we have a veto power in the bill.

The amendment by the two Senators would knock out that veto power and weaken our ability to act with respect to large Export-Import Bank Loans. Is that correct?

Mr. PACKWOOD. It is correct that the amendment changes the language in the bill.

Mr. PROXMIRE. Does it not take away from the Congress, if we pass this amendment, the authority that we would have without this amendment to veto a large loan of $50 million or more?

Mr. PACKWOOD. Yes, that is correct.

Mr. PROXMIRE. I thank the Senator.

Mr. HARRY F. BYRD, JR. Will the Senator yield for a question at that point?

Mr. PACKWOOD. Yes.

Mr. HARRY F. BYRD, JR. Why does the Senator want to take that out of this bill? The committee worked on this bill and brought it in with a veto. Why take it out?

Mr. PACKWOOD. The committee worked on it. We had great disagreements of opinion. We finally came to the conclusion that the purpose of this body was to set policy. Do we want to encourage exports out of this country at a rate roughly competitive with what other countries are willing to encourage exports from their country? The policy answer up to today has been yes. We may change that by the time we finish our discussion today, but it has been yes. Once we determine the policy that we want to encourage exports, you may then next want to say do we want to exempt Communist countries. What we have finally said in this bill is we want to encourage exports. We will make a slight differentiation in terms of rates for Communist countries as to how much they can borrow and certain reports that are required, but we think the execution of that policy is an administrative function.

Mr. HARRY F. BYRD, JR. I was directing my inquiry more to the point raised by the Senator from Wisconsin.

Mr. PACKWOOD. That is what I was answering right at the last.

Mr. PROXMIRE. If the Senator will yield, this has nothing at all to do with encouraging or discouraging exports. It gives the Congress the opportunity to have an input. We want to encourage exports. We recognize that is in the national interest. If the Congress feels and recognizes that some large loan is wrong, I think we should have the opportunity that the committee bill gives us to express our position. It would be an extraordinary situation when we would exercise that authority, but why take it away?

Mr. STEVENSON. I think the amendment strengthens the provision in the bill. The congressional review provision in the committee bill was very weak.

Mr. PROXMIRE. It is even weaker if we do not have the authority to veto a large loan. All we can do is get the information and let it go.

Mr. STEVENSON. It applied to $50 million loans, not guarantees. There would be very few such loans. In the case of such loans, the committee bill provided that the Banking Committee of either house, could approve the transaction and foreclose any further action in either branch of Congress. The provision in the amendment applies to guarantees as well as to loans, and to any transaction, whether it is loans, guarantees, or a combination thereof, of $60 million or more anywhere in the world.

Mr. PROXMIRE. In the amendment language, we do not have the veto power.

Mr. STEVENSON. Congress has 30 days to act.

Mr. PROXMIRE. If we have the authority to veto loans we can reach guarantees since as a practical matter, most large deals involve a mix of loans and guarantees. If we can veto the loan portion of a deal we in effect veto the guarantee portion.

Mr. STEVENSON. Under the committee bill, virtually no transactions would

be submitted to congressional scrutiny because there are very few loan transactions of $50 million or more. They are million in loans and $30 million in guarantees. Such transactions would escape the scrutiny of Congress. But not under the amendment.

Mr. PROXMIRE. Under the amendment, we might be able to scrutinize those proposed loans but then what do we do?

Mr. STEVENSON. Congress has the right and the opportunity to take affirmative action to prevent the transaction, not only because of the notice, but also because the amendment requires, as the committee bill did not, a total statement by the bank describing the impact of the transaction on the Nation's strategic interests, on labor, on technology, on technology transfers, and the competitive position of U.S. industry.

Mr. PROXMIRE. But with respect to any specific loan, we have in the bill that was reported by the committee a provision that the Bank may not grant final approval if during the period of 30 calendar days Congress—either body, the House of Representatives or the Senate—shall disapprove the transaction. Moreover, a resolution of disapproval could not be so filibustered. We take that out. We lose that. Having lost that, I do not understand how our power is strengthened.

Mr. PACKWOOD. We have left in a 30-day notice provision.

Mr. PROXMIRE. Yes.

Mr. PACKWOOD. Although we have to affirmatively disapprove the loan if we do not like it.

One of the problems we ran up against was not with Communist or Socialist countries, but with private borrowers not wanting to negotiate final terms with the Bank and then have them subject to approval by Congress.

I think that is a valid objection with a private borrower, that he does not want to let his terms and conditions become known and let his competitors know what they are or let other countries know what they are. That is one reason for the compromise. If in 30 days the bank guarantees a $240 million loan to Russia to build a fertilizer plant, we have 30 days to disapprove it. But to say that for every loan of a certain size, before the bank can guarantee it, it has to come to Congress to approve it, puts us in a disadvantageous position.

Mr. PROXMIRE. The amendment weakens our power, because positive action, which can be filibustered or delayed, is more difficult to get than the simple 30-day veto provided in the committee bill.

Mr. STEVENSON. The amendment has to be looked at in all its parts. If opposition to a particular transaction mounts in Congress, as it did with the fertilizer transaction, I suspect that it is very unlikely that such a transaction would go forward.

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

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

The PRESIDING OFFICER. Thirty minutes.

Mr. PACKWOOD. I yield 5 minutes to the Senator.

Mr. JACKSON. Mr. President, will the Senator yield 1 minute?

Mr. STEVENSON. I yield 1 minute to the Senator from Washington.

Mr. JACKSON. Mr. President, I take this opportunity to commend the chairman of the subcommittee, my good friend, the Senator from Illinois (Mr. STEVENSON), for his extremely constructive and successful effort to bring the operations of the Export-Import Bank in much needed measure of congressional control.

Arrangements we have been able to work out, in working with him, with the cooperation and invaluable counsel of the distinguished minority member of the subcommittee, Mr. PACKWOOD, represent an effort to see that responsibility for this basic policy direction for the Bank is shared between the management of the Bank and Congress.

I say, for the benefit of my colleagues, that I had some other suggestions I made that were far more restrictive; but I find, in the last analysis, that the Stevenson-Packwood approach is the soundest and the best and the most effective we can undertake at this time. At least, we ought to try this course; and if it does not work, we can try something else. I commend both Senators for their contribution.

Mr. STEVENSON. I thank the Senator from Washington.

This is an effort of many months of work to strike a reasonable balance between the operational requirements of the Bank and the responsibilities of Congress. In all those points, the Senator from Washington as well as the Senator from Oregon have been extremely helpful.

I might add, in response to some comments by the Senator from Wisconsin and the Senator from Virginia, that we started with a position that was very close to the position stated by Senator PROXMIRE and Senator HARRY F. BYRD, JR. But after studying the matter, after negotiating, after trying to take into full account the operational necessities of the Bank and the competitive equality of U.S. exporters, we concluded that this was about as far as we could go without seriously jeopardizing the efforts of the bank to give our exporters competitive equality in the world.

With that, Mr. President, I am prepared to yield back the remainder of my time.

Mr. HELMS. Mr. President, will the Senator yield for a question?

Mr. STEVENSON. I yield.

Mr. HELMS. I just want to make sure that I understand what is meant by a subceiling of $300 million. I believe I am correct that the outstanding balance is now $469 million, as concerned with the Soviet Union.

Mr. STEVENSON. The Senator is correct.

Mr. HELMS. This would mean another $300 million, or a total of $769 million?

Mr. STEVENSON. The Senator is correct.

Mr. HELMS. I thank the Senator.

Mr. STEVENSON. Without the subceiling it would be a $25 billion blank check.

Mr. AIKEN. Mr. President, will the Senator yield for a question?

Mr. STEVENSON. I yield.

Mr. AIKEN. As I understand it, 45 percent of the cost of the fertilizer plant in Russia is supplied by American banks, the banks which have branch offices in Moscow, and they receive their going rate plus three-fourths of 1 percent for insurance, making it about 14 percent. In that 14 percent rate are the Chase Manhattan and other banks getting subsidized in any way by the United States? It is the 45 percent of the cost, which comes from other means, that it subsidizes. Is that right?

Mr. STEVENSON. To the extent that the Export-Import Bank was unable to provide long-term financing for such a transaction in the Soviet Union, the Chase Manhattan Bank would be unable to participate under the terms of the agreement.

Mr. AIKEN. Forty-five percent of that loan is provided for at a rate of 7 or 8 percent, plus the insurance costs of three-fourths of a percent. Forty-five percent is loaned by international banks—American banks—there are four of them in Moscow.

Mr. STEVENSON. I do not know the percentage.

Mr. AIKEN. And 10 percent from other sources. I do not know where that comes from. I was wondering how much of those loans is subsidized.

Mr. STEVENSON. The participation is not subsidized. In fact, the banks have to pay a fee for the guarantee they get. But there is no cost to the Treasury or to the taxpayers for participation.

Mr. AIKEN. No subsidization in any way by the taxpayers, then?

Mr. STEVENSON. Not that I can conceive of.

Mr. AIKEN. Because we were told—this was 6 weeks or 2 months ago—that 45 percent would be——

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

Mr. AIKEN. I think the Eximbank rate is 8 percent, plus three-fourths percent for insurance that borrowed from the private banks would be at the going rate, which I understand was around 13 percent at the time, plus three-fourths.

Mr. STEVENSON. The Senator is correct. Private banks loan at a market rate, and then in addition they pay the guarantee fee.

Mr. AIKEN. Assuming Eximbank loaned at 5 percent, would that represent a subsidy?

Mr. PACKWOOD. No. I can answer that. Eximbank, as all banks, borrows money wherever it can and lends money at a rate sufficient to remain solvent. It does not get an appropriation from the Treasury. Over the years, it has had to borrow money for its bonds at any rate from 4 to 7.5 percent. Its loans are self-sustaining.

Mr. AIKEN. And the Senator believes that system is proper?

Mr. PACKWOOD. We are going to argue on the next amendment whether or not that should be proper, but at the moment, they are not costing the taxpayers any money.

Mr. JACKSON. Mr. President, I want to take this opportunity to commend the chairman of the subcommittee, my good friend the Senator from Illinois, for his extremely constructive and successful effort to bring to the operations of the Export-Import Bank a much-needed measure of congressional control. The arrangement we have been able to work out, with the cooperation and invaluable counsel of the distinguished ranking minority member of the subcommittee, Mr. PACKWOOD, represents an effort to see that responsibility for some basic policy direction for the Bank is shared between the management of the Bank and the Congress.

At a time when the stability of the American economy is gravely threatened, along with the economy of the industrial world, by the vast accumulation of capital in the hands of the international oil cartel, it is essential that our program aimed at promoting exports be subject to close congressional scrutiny. The measure we will be adopting today will help to accomplish this. By giving Congress an opportunity to examine large scale Eximbank loans before they are made, we will be in a position to bring our judgment to bear in a constructive and timely manner. In the negotiations that preceded the offering of the Stevenson-Packwood amendments the Bank has proved most helpful and constructive. I am delighted that the management of the Bank can live with the changes we have proposed and that the spirit of cooperation will mark the beginning of a close and cooperative relationship between the Bank and the Congress.

Many Americans are properly concerned about the export of jobs from the United States. We in the Congress have urged the Bank in the past, and will continue to urge it in the future to give full consideration to the impact on employment in the United States when reviewing contemplated loans abroad. The multifaceted impact statement that is required under our amendments will help to assure that adequate weight will be given to this crucial issue.

Mr. President, I have been concerned for some time that the Bank has not acted in concert to an adequate degree with other agencies of the Government in order to work out coordinated national strategies with respect to such crucial issues as the development of domestic energy resources. Several hundred million dollars worth of oil drilling equipment, tubular steel, submersible pumps and the like were, just this last year, financed by the Export-Import Bank. Thus the oil-producing countries, who have as a deliberate policy the economic strangulation of the Western industrial world by cartel-managed oil producing and pricing policies, have been buying the equipment with which to produce oil at subsidized interest rates with American capital.

At a time when we face a liquidity crisis, owing in large measure to the accumulation of our reserves by the oil-producing countries, this is sheer folly. Our own domestic producers, whose increased output of oil and gas is crucial to Project Independence, have been unable to obtain adequate supplies of this same equipment. I intend to watch very closely the activities of the Bank to assure that there is close coordination between the Bank and the FEA and other Government agencies who, one continues to hope, can be roused from their slumber to move on the crucial energy problem facing this Nation.

Mr. STEVENSON. Mr. President, I am prepared to yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senators from Illinois and Oregon (putting the question).

The amendment was agreed to.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania (Mr. SCHWEIKER) is recognized.

Mr. SCHWEIKER. Mr. President, I call up my amendment No. 1853.

The PRESIDING OFFICER. The clerk will state the amendment.

The second assistant legislative clerk proceeded to read the amendment.

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

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

The amendment is as follows:

At the appropriate place, insert the following:

( ) The Bank shall conduct its operations on a self-sustaining basis, and shall require the payment of interest on the unpaid balance of any extension of credit by the Bank at a rate which is not less than the prevailing private market rate on loans of comparable maturity, as determined by the Secretary of the Treasury as of the last day of the month preceding the date of the extension of credit.

Mr. BELLMON. Will the Senator yield?

Mr. SCHWEIKER. I yield to the distinguished Senator from Oklahoma.

Mr. BELLMON. I ask for the yeas and nays on my amendment 1898.

The PRESIDING OFFICER. The amendment is not before us. Does the Senator ask unanimous consent that it be in order?

Mr. BELLMON. I ask unanimous consent that it be in order to ask for the yeas and nays.

The PRESIDING OFFICER. Will the Senator repeat for the Chair's information the number of the amendment?

Mr. BELLMON. No. 1898.

The yeas and nays were ordered.

Mr. SCHWEIKER. Mr. President, this amendment requires all Eximbank direct loans to be made at the prevailing private market rate of interest for loans of comparable maturity.

I am very pleased that my distinguished colleague from Nevada (Mr. CANNON) is a principal cosponsor of this amendment. He has been very helpful and constructive in support of this amendment. We shall be hearing from him in a few minutes.

I ask unanimous consent that, in addition to Senator CANNON, the following cosponsors be listed on this amendment: The distinguished Senator from Montana (Mr. MANSFIELD), the Senator from Wisconsin (Mr. PROXMIRE), and the Senator from Idaho (Mr. CHURCH).

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

Mr. SCHWEIKER. The Eximbank loaned $3.9 billion under its direct loan program in fiscal year 1974, at interest rates of 6 and 7 percent in the same period, the commercial prime rate soared to 12 percent, crippling many domestic business activities and virtually drying up the home mortgage market. As the Washington Post editorialized in recommending elimination of the Eximbank interest differential, the disparity between Eximbank rates and private rates has produced a "mindlessly lavish pattern of export subsidies."

The standard defense for cut-rate Eximbank loans is they are required to allow American exporters to meet stiff foreign competition. The foreign competition may be stiff, Mr. President, but the plain fact is that fully 96 percent of all U.S. exports are made without Eximbank direct loan assistance.

I should like to repeat that statistic, because I think it is not clearly understood: 96 percent of our national exports are made without this kind of interest subsidy.

So cut-rate Eximbank loans are not vital to our national export level, because the overwhelming majority of exporters never get one. Who does get these subsidized loans? Is it the exporters in fields where foreign competition is especially fierce? No—in fact, ironically it is the opposite. Nearly one-third of all Eximbank direct loans—by far the largest single category—go to finance the sale of American aircraft to foreign airlines, despite the fact that the United States is the only producer in the world capable of making most of the aircraft sold. I ask unanimous consent to have printed in the RECORD a statement by the Air Transport Association of America, listing 199 separate Eximbank loans for the benefit of foreign airlines, all but one at 6 percent interest.

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

The Air Transport Association of America represents virtually all of the U.S. scheduled airlines including all U.S. flag international air carriers conducting scheduled passenger operations between the United States and 89 foreign countries. The U.S.-flag international carriers compete for traffic between the United States and foreign points with some 59 foreign air carriers.

The extremely serious financial situation of the major U.S. flag airlines is well known. Competitive inequality contributes to that condition and one aspect of the competitive inequality is aircraft financing.

Foreign air carriers are often afforded an advantage over U.S. flag carriers as a consequence of statutory provisions governing Export-Import Bank arrangements for financing purchases by foreign carriers of U.S. manufacturer aircraft.

Under present law, the Eximbank assists foreign airlines who are in direct competition with the U.S. flag carriers in the financing of their aircraft acquisitions. Interest rates made available to the foreign carriers by the Eximbank are, in many cases, lower than

those the U.S. flag carriers are able to obtain in the commercial market. In order to finance the enormous outlays required for the purchase of aircraft, U.S. companies must pay prime or in excess of prime interest rates in the U.S. money market. Today that rate is about 11¼ percent at the nation's largest banks. For some time the prime rate has exceeded 10 percent. Appendix C is a summary of the debt burden now being serviced by the two largest U.S. International carriers. The rate presently available from the Eximbank, however, which includes the guarantee to private lenders is now set at 7 percent and only recently was raised from 6 percent.

Accordingly, we propose that the Export-Import Bank Act of 1945 be amended in order to add a provision to Section 2 (b) (1) directing the Export-Import Bank to make guarantees; insurance and extensions of credit available to United States air carriers for the purchase of U.S. aircraft to be used in international air transportation on terms at least as favorable as those made available to foreign air carriers for the purchase of such aircraft.

The advanced aircraft equipment equipment used by the modern airlines of the world are, for the most part, built in the United States. The export of these aircraft and related services are a vital part of the export program of the country and make a very valuable contribution to our balance of payments.

The ability of U.S. manufacturers to maintain their technological supremacy in the manufacture and sale of highly sophisticated aircraft equipment in the international market has been supported by the activities of the Export-Import Bank. In keeping with the objectives set by the Congress, the Bank has been involved in a high level of activity for the sale of these aircraft. In recent years export financing of aircraft has accounted for the single most important group of investments supported by Eximbank.

The U.S. airlines support and encourage the sale of U.S. manufactured aircraft to foreign flag air carriers. The suggested amendment simply asks for equal treatment of U.S. air carriers in purchasing U.S. aircraft.

In the seventeen years ending with fiscal year 1973, the Bank extended credit (including loans and guarantees) for the export of aircraft amounting to $4.7 billion. These loans and guarantees represented a total aircraft sales value of approximately $9.4 billion. In 1973, credits for aircraft financing accounted for 28.6 percent of the total credits extended by the Bank. Appendix A is a list of the Export-Import Bank credit authorizations extended for aircraft purchases for the period from July 1, 1970 through January 31, 1974. As may be seen from this tabulation most of the major foreign flag airlines of the free world have taken advantage of the excellent financing terms available from the Export-Import Bank. U.S. and foreign flag carriers alike have found that these U.S. built aircraft best answer their needs for serving the traveling public. The activity continues today and attachment D is a listing of Eximbank announced loans and credits to foreign air carriers since January 1, 1974.

Japan Air Lines, the principal competitor of U.S. airlines in the Pacific, appears to have received by far the largest amount of Eximbank loans among the foreign airlines. From 1956 through fiscal 1972 Japan Air Lines had received 19 Eximbank loans totaling $282.7 million to assist in acquiring aircraft purchases from U.S. manufacturers. These loans cover sales of approximately $839 million. For the 5 year period ending in fiscal 1972, Eximbank loans to Japan Air Lines amounted to approximately $200 million supporting aircraft purchases of about $500 million. These credits for an airline whose country's balance of payments relations with the United States was in a very favorable position indicate the substantial desirability to foreign carriers of not using the open market to obtain financing of aircraft purchases.

Another example of the use by major foreign carriers of Eximbank financing involves the recent sale of 747's to British Airways (BOAC). In August of 1973 BOAC obtained a direct loan of $21,380,000 or 40% of the U.S. cost of this aircraft. Additional private financing of $13.3 million or 25% of the total was made available by private British financial sources and $7,980,000 or 15% by a New York bank. BOAC made a cash payment of $10,640,000. The rate of interest to be applied to the Eximbank portion of the financing was 6% and repayment scheduled to be in 10 semi-annual installments beginning in May 1979. The repayment to Eximbank was to follow after the other debts incurred in this transaction have been repaid. It is interesting to note that British Airways has purchased a total of fifteen 747's, all of which have been financed with Eximbank's assistance.

To give the Committee some idea of the importance of the difference between private financing of aircraft by U.S. carriers as opposed to Eximbank supported financing for foreign carriers, attached to this statement (Appendix B) is a tabulation of typical financing terms for the purchase of one $30 million aircraft. As may be seen, the outlay required for U.S. carriers far exceeds that of foreign carriers for the purchase of the same plan. To compare typical commercial financing covering a period of 10 years amortization, the U.S. purchaser will pay over $7 million additional in financing costs because of the difference between an 11% financing rate and the Eximbank guaranteed financing rate of 7%.

The fares and rates which U.S. international airlines charge are negotiated with foreign airlines and subject to the approval of governments. The cost experience of foreign carriers who have purchased equipment under Eximbank guarantees is substantially lower than that experienced by U.S. carriers. Many other costs of foreign flag airlines are also lower. This difference in equipment and other costs increases the financial pressure on U.S. carriers who seek, as every private enterprise must, to obtain sufficient income to cover costs and make a profit.

Foreign air carriers have made substantial inroads into the U.S. international passenger and cargo market. Despite the fact that in 1972 U.S. citizens comprised 68% of the North Atlantic traffic between the United States and Europe, the U.S. scheduled airlines obtained only 42% of the total traffic flying on scheduled services. Foreign carriers which have received the assistance of the Eximbank under this program are dominating the scheduled service market on this most important and highly competitive route.

The financial pressures on U.S. international airlines have become extremely intense. They are faced with enormous increases in fuel costs. They have for years had to cope with substantial differentials in wage rates. They must compete in the marketplace, with government owned, controlled and financed, foreign national carriers for the U.S. international passenger and cargo business.

Underwriting by the U.S. Government, of the purchases of aircraft for foreign carriers, is a desirable objective for the export of U.S. manufactured equipment, provided U.S. carriers are given equally favorable treatment in such financing. More favorable financing of foreign carriers aircraft purchases has become too much of a burden for the privately owned and financed U.S. carriers to bear. We believe that this major cost of doing business must be equalized for U.S. flag airlines operating in competition with the foreign flag carriers.

We do not propose to diminish the support that Eximbank has granted for the sale of U.S. equipment overseas. We firmly believe, however, that the discriminatory burden which U.S. airlines have borne for years must be ended and financing be made available for aircraft used by U.S. airlines in the international commerce of the United States on terms and conditions no less favorable than have been made available to foreign carriers.

There is precedent for this requested treatment in the maritime industry. The Merchant Marine Act of 1936 provides for a construction differential for the building of ships in the United States. These ships, to be purchased by U.S. flag carriers may only be used in international commerce and not built to compete within the domestic commerce of this country. The Congress recognized the importance of equalizing the cost perspective of the U.S. and foreign flag carriers competing for business on the international routes of the world. We believe that the Congress must recognize that the same principle applies in the case of aircraft.

The intercontinental movement of passengers is almost totally by air, (over 98%) and the value of cargo moving by air is a substantial portion of the international commerce of the United States (17.6%). It is most important that United States international airlines be afforded a more equitable opportunity to compete for the carriage of this cargo and passenger traffic. The amendment we propose is one important step in that direction.

We strongly urge the Committee to include such an amendment in the extension legislation.

SUGGESTED AMENDMENT TO H.R. 13838

Section 2(b)(1) of the Export-Import Bank Act of 1945, as amended, is hereby amended to read as follows:*

"(b)(1) It is the policy of the United States to foster expansion of exports of goods and [related] services, thereby contributing to the promotion and maintenance of high levels of employment and real income and to the increased development of the productive resources of the United States. To meet this objective, the Export-Import Bank is directed in the exercise of its functions to provide guarantees, insurance, and extensions of credit (*A*) at rates and on terms and conditions which are competitive with the Government-supported rates and terms and other conditions available for the financing of exports from the principal countries whose exporters compete with United States exporters; *and* (*B*) *to make such guarantees, insurance and extensions of credit equally available at the same rates and on at least as favorable terms and conditions as those provided by it for the purchase of United States aircraft (including spare parts and supporting equipment) by foreign air carriers to United States air carriers for the purchase of United States aircraft (including spare parts and supporting equipment) used predominantly in international air transportation in competition with such foreign air carriers.* The Export-Import Bank shall, on a semiannual basis, report to the appropri-

*New material in italics.

ate committees of Congress its actions in complying with *these directives*. In this report the Export-Import Bank shall survey all other major export-financing facilities available from other governments and government-related agencies through which foreign exporters compete with United States exporters and indicate in specific terms the ways in which Export-Import Bank rates, terms, and other conditions are equal or superior to those offered from such other governments directly or indirectly. Further, the Export-Import Bank shall at the same time survey a representative number of United States exporters and United States commercial lending institutions which provide export credit to determine their experience in meeting financial competition.

APPENDIX A

EXPORT-IMPORT BANK CREDIT AUTHORIZATIONS

Obligor	Equipment	Amount	Payment terms	Interest rate (percent)
JULY 1, 1970 TO JUNE 30, 1971				
Argentina: Aerolineas Argentinas	Two 737-20 jet aircraft, related spare parts, engines, equipment and services.	$4, 590, 000	9 semiannual payments beginning 11/15/77	6
Austria: Austrian Airlines	Five DC-9 jet aircraft, related goods and services	11, 056, 500	10 semiannual payments beginning 11/15/76	6
	Two DC-9 jet aircraft, related goods and services	4, 455, 000	10 semiannual payments beginning 2/15/75	6
	One DC-9 jet aircraft with related parts	2, 025, 000	10 semiannual payments beginning 2/15/78	6
	One DC-9 jet aircraft and related goods and services	2, 025, 000	10 semiannual payments beginning 5/15/78	6
Australia: Commonwealth of Australia	One 747 jet aircraft, spare engines, spare parts and related equipment and services.	7, 377, 600	11 semiannual payments beginning 11/15/79	6
Brazil:				
Viacao Area Sao Paulo, S.A	Two 727 jet aircraft, spare engines, spare parts and related services.	5, 928, 750	10 semiannual payments beginning 5/15/76	6
S.A. Empresa de Viacao Area Rio Grandense	One used 707-385C jet aircraft and related equipment	2, 400, 000	7 semiannual payments beginning 2/15/72	6
Canada: Nordair Limited	One 737 jet aircraft, spare parts and related services	1, 746, 000	7 semiannual payments beginning 8/15/75	6
Democratic Republic of the Congo (Kinshasa): Air Congo, S.P.A.R.L.	One DC-8-63 jet aircraft, spare engines, spare parts and services.	5, 891, 085	7 semiannual payments beginning 8/15/75	6
Denmark: A/S Conair, Consolidated Aircraft Corporation.	Five used 720 jet aircraft, spare engines, related spare parts, equipment and services.	1, 962, 000	6 semiannual payments beginning 2/15/72	6
Finland: Finnair Oy	Two DC-10 jet aircraft, spare engines, spare parts, tools, equipment and related services.	16, 800, 000	20 semiannual payments beginning 8/15/75	6
	Eight used DC-9 jet aircraft, spare engines, DC-9 and DC-8 spare parts, other equipment and related services.	9, 011, 250	8 semiannual payments beginning 8/15/75	6
France:				
Union de Transports Aeriens, S.A	Two DC-10 jet aircraft, related spare engines, spare parts, equipment and services.	11, 424, 000	8 semiannual payments beginning 11/15/79	6
	Aircraft and spare engines, spare parts and services	4, 000, 000	20 semiannual payments beginning 2/15/77	6
Union de Transports Aeriens, S.A	Three DC-10 jet aircraft, spare engines, parts, equipment and services.	19, 871, 000	7 semiannual payments beginning 5/15/82	6
Compagnie Nationale Air France	Three 727 jet aircraft, spare engines, parts, related equipment and services.	8, 390, 016	7 semiannual payments beginning 2/15/76	
	Three 747 jet aircraft, spare engines, parts and related equipment and services.	20, 401, 900	7 semiannual payments beginning 2/15/80	6
Germany: Deutsche Lufthansa, S A	Seven DC-10 jet aircraft with GE CF6 engines installed	53, 800, 000	14 semiannual payments beginning 8/15/74	6
	Three 727 jet aircraft and one 747 jet aircraft with engines installed.	17, 100, 000	14 semiannual payments beginning 8/15/72	6
India: Air-India Corporation	One 747 jet aircraft, support equipment and related spare parts.	12, 352, 500	8 semiannual payments beginning 11/15/75	6
Iran: Iran National Airlines Corporation	Three 737 jet aircraft, spare parts and related services	6, 678, 000	7 semiannual payments beginning 11/15/75	6
Italy: Istituto Mobiliare Italiano	One 747 jet aircraft and related engines, parts, equipment and services.	6, 883, 500	7 semiannual payments beginning 5/15/79	6
	Four DC-10 jet aircraft and related engines, spare parts, equipment and services.	26, 970, 150	7 semiannual payments beginning 5/15/74	6
	One DC-9 jet aircraft, one spare engine, related equipment and services.	1, 980, 000	7 semiannual payments beginning 11/15/76	6
Republic of the Ivory Coast: Air Afrique	Increase in financing for an additional DC-10 jet aircraft	6, 589, 640	6 semiannual payments beginning 8/15/80	6
Jamaica: Air Jamaica	One L-1011 airframe, related spare parts, equipment and services.	3, 522, 086	7 semiannual payments beginning 6/15/79	6
Japan: Japan Air Lines Co., Ltd	Six DC-8 jet aircraft, and related goods and services	23, 220, 000	7 semiannual payments beginning 8/15/75	6
	Two used DC-8 jet aircraft and related goods and services	5, 205, 600	7 semiannual payments beginning 5/35/75	6
Kenya: East African Airways	Three DC-9-30 jet aircraft, three spare engines, spare parts and related services.	7, 875, 000	10 semiannual payments beginning 5/15/76	6
Republic of Korea: Korean Air Lines, Inc	One 707-320C jet aircraft, spare engines, spare parts and related services.	3, 960, 000	7 semiannual payments beginning 8/15/75	6
Federation of Malaysia: Government of Malaysia	One 737-200 jet aircraft, spare parts and related equipment and services.	1, 800, 000	7 semiannual payments beginning 8/15/75	6
	One 737-200 jet aircraft, spare parts and related equipment and services.	1, 800, 000	7 semiannual payments beginning 2/15/76	6
Mexico: Arrendadora Comermex S.A. de C.V	One used DC-9-10 jet aircraft, spare parts and equipment.	898, 875	7 semiannual payments beginning 8/15/74	6
Netherlands: KLM Royal Dutch Airlines	Three 747 jet aircraft, spare engines, parts and related equipment.	22, 239, 000	9 semiannual payments beginning 11/15/77	6
New Zealand:				
Air New Zealand, Ltd	Three DC-10 jet aircraft, spare engines and related spare parts, equipment and services.	25, 224, 000	7 semiannual payments beginning 2/15/80	6
New Zealand National Airways Corp	One used 737 jet aircraft	1, 555, 100	7 semiannual payments beginning 11/15/75	6
Air New Zealand, Ltd	Two used DC-8-52 jet aircraft and related parts, equipment and services.	1, 480, 000	5 semiannual payments beginning 5/15/73	6
Nigeria: Nigeria Airways, Ltd	One 707 jet aircraft, two spare engines, related spare parts, equipment and services.	4, 320, 000	7 semiannual payments beginning 4/30/75	6
Pakistan: Pakistan International Airlines Corporation.	Three 707-32C jet aircraft, spare parts, spare engines and services.	13, 950, 000	7 semiannual payments beginning 11/15/74	6
Peru: Government of Peru	Two L-100-20 cargo aircraft, spare parts and services	4, 310, 240	7 semiannual payments beginning 11/15/74	6
Philippines: Philippine Air Lines, Inc	One 747 jet aircraft, spare engines and related equipment and services.	9, 840, 970	8 semiannual payments beginning 8/15/78	6
Portugal: Transportes Aereos Portugueses S.A.R.L	One 727-100 jet aircraft, spare parts and related services	2, 027, 610	14 quarterly payments beginning 11/15/74	6
	Two 747 jet aircraft, spare engines, spare parts and related services.	15, 101, 700	15 quarterly payments beginning 8/15/78	6
Sweden: Scandinavian Airlines System, et al	Five DC-9 jet aircraft with related goods and services	9, 828, 000	7 semiannual payments begnning 2/15/76	6
	One DC-8-63 jet aircraft with related goods and services	4, 176, 000	7 semiannual payments beginning 5/15/76	6
Switzerland:				
GATX/Boothe Finance, A. G	Two used DC-8-21 jet aircraft, spare parts and related goods and services.	2, 114, 000	7 semiannual payments beginning 2/15/75	6
	One used 707-321 jet aircraft, spare parts and related goods and services.	1, 215, 000	7 semiannual payments beginning 11/15/74	6
Swiss Credit Bank	Three used 720 jet aircraft with related goods and service	1, 706, 056	10 semiannual payments beginning 6/30/72	6
Turkey: Turk Hava Yollari, A.O	Four DC-9-30 jet aircraft, two spare engines, related spare parts and services	9, 461, 450	7 semiannual payments beginning 8/15/74	6
United Kingdom: British Overseas Airways Corporation.	One 707 jet aircraft, and related spare parts and services	3, 600, 000	14 semiannual payments beginning 11/15/71	6
Yugoslavia:				
Jugoslovenski Aerotransport	Three DC-9 jet aircraft, spare parts, engines and services	6, 237, 000	8 semiannual payments beginning 10/1/75	6
Interexport	One DC-9 jet aircraft, spare parts, engines and services	2, 127, 050	8 semiannual payments beginning 11/15/71	6

APPENDIX A—Continued

EXPORT-IMPORT BANK CREDIT AUTHORIZATIONS—Continued

Obligor	Equipment	Amount	Payment terms	Interest rate (percent)
JULY 1, 1971 TO JUNE 30, 1972				
Algeria: La Compagnie Nationale Air Algeria	Increase in financing for aircraft, coml jet (1) 737	$280, 000	14 semiannual payments beginning 5/15/72	6
	Aircraft, cml jet (1) 737	2, 600, 000	20 semiannual payments beginning 5/15/73	6
Australia:				
Ansett Transport Industries	Aircraft, coml jet (4) 727's	15, 304, 000	10 semiannual payments begininng 5/15/78	6
Commonwealth of Australia	Aircraft, coml jet (4) 727's	16, 062, 000	16 semiannual payments beginning 5/15/78	6
Belgium: Sabena	Aircraft, jumbo jet (2) DC-10's	13, 804, 250	7 semiannual payments beginning 2/15/75	6
Brazil:				
Blanco Real S.A	Jet aircraft	424, 020	7 semiannual payments beginning 5/15/76	6
Viacao Aerea Sao Paulo S. A	Aircraft, coml jet (1) 737	2, 125, 000	10 semiannual payments beginning 12/15/77	6
Federal Republic of Cameroon: Cameroon Airlines	Coml jets (1) 707 and (2) 737's	10, 400, 000	10 semiannual payments beginning 2/15/78	6
Canada: Pacific Western Airlines Ltd	Aircraft, coml jet (2) 737's	4, 617, 282	10 semi annual payments beginning 11/15/77	6
Republic of China: China Airlines Ltd	Coml jet (1) used 707	2, 790, 000	5 semiannual payments beginning 5/15/75	6
Colombia: Aerovias Nacionales de Colombia	Coml jets (3) used 727's	6, 120, 000	7 semiannual payments beginning 11/15/75	6
Denmark: Maersk Air I/S	Coml jets (3) used 720's	3, 019, 474	5 semiannual payments beginning 3/31/76	6
Dominican Republic: CIA Dominicana de Aviacion	Aircraft, coml jet (1) 727	2, 925, 000	10 semiannual payments beginning 12/15/77	6
France:				
Lurafrep S. A	Coml jets (2) used 727's	4, 896, 000	14 semiannual payments beginning 5/15/75	6
Union de Transports Aeriens	Aircraft, jumbo jet DC-10	6, 288, 000	8 semiannual payments beginning 9/15/81	
Hong Kong: Cathay Pacific Airways Limited	Coml jets (2) used 707's	3, 600, 000	5 semiannual payments beginning 2/15/75	6
Israel:				
Israel Aircraft Industries Ltd	Coml jets (13) used 707's	2, 400, 000	5 semiannual payments beginning 2/15/75	
El Al Israel Airlines	Aircraft, jumbo jet (2) 747's	4, 240, 000	7 semiannual payments beginning 2/15/76	6
Italy: Istituto Mobiliare Italiano	Aircraft, Coml Jet (1) DC-9	2, 040, 000	10 semiannual payments beginning 8/15/78	6
Jamaica: Air Jamaica Limited	Coml Jet (1) used DC-8	1, 103, 512	6 semiannual payments beginning 5/15/75	6
	Aircraft, coml jet (1) DC-8	1, 275, 000	6 semiannual payments beginning 11/15/75	6
Japan:				
Japan Air Lines Co. Ltd	Aircraft, jumbo jet (7) 747's	47, 511, 255	7 semiannual payments beginning 5/15/79	6
All Nippon Airways Co. Ltd	Coml jets (8) 727's & (3) 737's	29, 880, 000	7 semiannual payments beginning 5/15/76	6
Japan Airlines Co. Ltd	Coml jets (3) used DC-8's	6, 982, 500	10 semiannual payments beginning 3/31/73	6
Federation of Malaysia: Malaysia Airline System Berhad.	Aircraft, coml jet (6) 737's	18, 800, 000	10 semiannual payments beginning 5/15/78	6
Mexico: CIA Mexicana de Aviacion	Coml jets (3) used 727's	3, 850, 000	7 semiannual payments beginning 12/15/75	6
	Aircraft, coml jets (2) 727's	7, 140, 000	10 semiannual payments beginning 12/15/78	6
Netherlands:				
Transavia Holland N.V	Coml Jet (1) used 707	1, 440, 000	7 semiannual payments beginning 2/15/76	6
Luchtvervoermaatschappij N.V	Aircraft, Jumbo Jet (1) DC-10	7, 488, 865	7 semiannual payments beginning 11/15/80	6
KLM Royal Dutch Airlines	Two DC-10 widebody jets	22, 370, 000	10 semiannual payments beginning 11/15/79	6
Nigeria: Nigeria Airways Ltd	Coml Jets (1) 707 & (2) 737's	10, 400, 000	10 semiannual payments beginning 5/15/78	6
Saudi Arabia: Saudi Arabian Airlines Corp	Aircraft, coml jet (5) 737's	13, 428, 000	7 semiannual payments beginning 5/15/76	6
Singapore: Mercury Singapore Airlines Ltd	Coml Jets (3) used 707's	9, 300, 000	7 semiannual payments beginning 11/15/76	6
Spain: Iberia Lineas Aereas de Espana S.A	Aircraft, coml jets (11) DC-9's	24, 300, 000	7 semiannual payments beginning 6/15/75	6
	Aircraft, jumbo jets (3) DC-10's	29, 100, 000	10 semiannual payments beginning 10/15/78	6
	Aircraft, coml Jets (16) 727's	56, 100, 000	12 semiannual payments beginning 11/15/77	6
Sweden: Scandinavian Airlines System	Aircraft, jumbo jet (2) DC-10's	13, 920, 000	8 semiannual payments beginning 8/15/82	6
	Aircraft, parts and services	4, 000, 000	20 semiannual payments beginning 11/15/76	6
	One used DC-8-63 jet aircraft	3, 936, 000	7 semiannual payments beginning 3/15/77	6
United Kingdom:				
Laker Airways Ltd	Aircraft, jumbo jet (2) DC-10's	18, 000, 000	10 semiannual payments beginning 3/31/78	6
Airlease International	2 L-1011 widebody aircraft	16, 220, 846	10 semiannual payments beginning 8/31/78	6
Yugoslavia:				
Interexport	Aircraft, coml jet (1) DC-9	2, 362, 500	10 semiannual payments beginning 8/15/78	6
Jugoslovenski Aerotransport	Aircraft, jumbo jet (6) DC-10's	14, 748, 750	11 semiannual payments beginning 11/15/73	6
JULY 1, 1972-JUNE 30, 1973				
Algeria: Air Algerie	One 737 coml jet aircraft	2, 800, 000	10 semiannual payments beg. 2/5/79	6
	One 737 coml jet aircraft	2, 300, 000	10 semiannual beg. 5/10/79	6
Argentina: Aerolineas Argentinas	One 737-200 coml jet aircraft	3, 102, 190	10 semiannual beg. 5/5/79	6
Australia: Commonwealth of Australia	One 747 jumbo aircraft	11, 284, 000	10 semiannual beg. 2/10/79	6
Belgium: Sabena	Modify aircraft for loading	2, 000, 000	10 semiannual beg. 10/15/74	6
Brazil:				
Servicos Aereo Cruzeiro Do Sul	One 727-100 coml jet aircraft	1, 620, 000	7 semiannual beg. 11/5/76	6
Viacao Aerea Sao Paulo SA	Three 737 coml jet aircraft	8, 100, 000	10 semiannual beg. 3/10/79	6
Varig SA	Two DC-10 Jumbo jet aircraft	28, 522, 800	10 semiannual beg. 11/30/79	6
	Two 727 and Three 707 commercial jets	11, 700, 000	14 semiannual beg. 12/5/73	6
Canada:				
Air Canada	One 737-200 Coml jet aircraft	2, 619, 632	10 semiannual beg. 11/5/78	6
	One 747 jumbo aircraft Jet	12, 645, 000	10 semiannual beg. 11/5/78	6
	One 747 jumbo jet aircraft	10, 192, 000	20 semiannual beg. 11/15/73	6
Canadian Pacific Ltd	Refurbish Eleven DC-8 Jet aircraft	1, 930, 000	10 semiannual beg. 11/5/73	6
	Two 747 jumbo jet aircraft	29, 320, 000	10 semiannual beg. 5/10/79	6
Air Canada	One 737 Coml jet aircraft	2, 610, 000	10 semiannual beg. 5/5/79	6
	One used DC-9 Jet aircraft	2, 050, 000	7 semiannual beg. 5/15/77	6
Pacific Western Airlines	One 737 coml jet aircraft and parts	2, 771, 235	10 semiannual beg. 7/5/79	6
Republic of China (Taiwan): China Airlines	One used 707 jet aircraft	2, 000, 000	7 semiannual beg. 8/5/77	6
Denmark: Sterling Airways A/S	Three 727 Coml jet aircraft	12, 600, 000	10 semiannual beg. 5/31/79	6
Dominican Republic: Corp Dominicana Empresas Estat.	One 727 Coml jet aircraft	4, 275, 000	10 semiannual beg. 9/5/79	6
Finland: Kar-Air Dy	One used DC-8 jet aircraft	1, 485, 000	7 semiannual beg. 11/15/76	6
France:				
Union de Transports Aeriens	One used DC-8 jet aircraft	4, 174, 400	14 semiannual beg. 11/10/73	6
Air France	Three 747 jumbo jet aircraft	31, 800, 000	10 semiannual beg. 8/10/79	6
Airbus Industries	One Guppy aircraft	3, 000, 000	7 semiannual beg. 8/5/77	6
Fedl Republic of Germany: Lufthansa	Six 727 Coml jet aircraft	19, 720, 000	20 semiannual beg. 8/10/73	6
Honduras: Servicio Aereo de Honduras SA	One 737 Coml jet aircraft	3, 273, 750	10 semiannual beg. 4/5/80	6
Indonesia: Bouraq Indonesia Airlines	Two used 707 jet aircraft	4, 169, 250	9 semiannual beg. 5/10/77	6
Iran: Iran National Airlines Corp	One 707 and One 737 Coml jets	7, 840, 000	10 semiannual beg. 11/15/74	6
Israel: E. Al Israel Airlines	One 747 jumbo jet aircraft	13, 725, 045	10 semiannual beg. 11/15/78	6
Japan: All Nippon Airways Co. Ltd	Four 727 Coml jet aircraft	11, 900, 000	7 semiannual beg. 8/5/77	6
Jordan:				
Alia-Royal Jordanian Airline	One 727 and parts Jet aircraft	4, 320, 000	10 semiannual beg. 2/10/80	6
Alia-Royal Jordanian Airline	Two used 720B jet aircraft	1, 562, 330	6 semiannual beg. 8/15/76	6
Republic of Korea: Korean Air Lines	Two 747 jumbo jet aircraft	28, 800, 000	10 semiannual beg. 2/5/79	6
Mexico:				
Cia Mexicana de Aviacion	Two 727-200 coml jet aircraft	7, 352, 500	10 semiannual beg. 5/5/79	6
Nacional Financiers SA	Six DC 9-30 coml jet aircraft	15, 124, 500	11 semiannual beg. 11/5/79	
Morocco: Cia Nat de Transports Aeriens	One 727 coml jet aircraft	3, 540, 000	7 semiannual beg. 6/15/77	6
Norway: Braathens Safe	One B-737 coml jet aircraft	2, 475, 000	10 semiannual beg. 10/15/78	6
Pakistan: Pakistan Intl Airlines Corp	Three DC-10 jumbo jet aircraft	28, 210, 000	12 semiannual beg. 9/15/79	6
Panama: Leyburn Panama	One 747 jumbo jet aircraft	8, 370, 000	6 semiannual beg. 2/5/77	6
Philippines: Republic of the Philippines	One new and three used cargo aircraft	8, 865, 000	7 semiannual beg. 12/1/77	6

Obligor	Equipment	Amount	Payment terms	Interest rate (percent)
JULY 1, 1971 TO JUNE 30, 1972—Continued				
Portugal: Transportes Aereos Portuguese	One 747 jumbo jet aircraft	$12,080,000	10 semiannual beg. 12/15/79	6
Romania: Tehnoimportexport	Three 707 coml jet aircraft	20,018,689	10 semiannual beg. 12/15/79	6
Singapore: Singapore Airlines Ltd	Two 747 jumbo jet aircraft	29,537,500	10 semiannual beg. 2/10/79	6
Spain:				
Spantax	One used DC-8 jet aircraft	2,250,000	7 semiannual beg. 2/5/77	6
IberiaLineas Aereas	Two DC-10 jumbo jet aircraft	19,880,000	9 semiannual beg. 5/10/80	6
Iberia Lineas Aereas	Eleven 727 coml jet aircraft	38,560,000	semiannual beg. 2/10/80	6
The Sudan: Sudan Airways	Two 707 coml jet aircraft	10,331,250	10 semiannual beg. 2/10/80	6
Sweden:				
Scandinavian Airlines	One used DC-8 jet aircraft	3,722,400	7 semiannual beg. 2/15/78	6
	Three DC-10 jumbo jet aircraft	18,624,000	14 semiannual beg. 6/5/79	6
	Aircraft engines and products	6,000,000	20 semiannual beg. 11/15/76	6
	Twelve DC-9 jet aircraft	29,088,000	21 semiannual beg. 8/10/79	6
Switzerland:				
Swiss Air Transport Co. Ltd	Two DC-10 jumbo jet aircraft	11,736,000	14 semiannual beg. 8/10/78	6
	Spare engines and parts	4,000,000	20 semiannual beg. 12/31/75	6
Tunisia: Societe Tunisienne de L'Air	One 727-200 coml jet aircraft	3,150,000	7 semiannual beg. 8/15/77	6
Turkey: Turk Hava Yollari A. O	Three DC-10 jumbo jet aircraft	30,492,000	10 semiannual beg. 7/5/78	6
United Kingdom: British Overseas Airways	One 747 jumbo jet aircraft	11,400,000	10 semiannual beg. 11/15/78	6
West Indies-Netherlands: Netherlands Antilles Cos	One 737 coml jet aircraft	3,073,590	10 semiannual beg. 11/5/79	6
Yugoslavia/Interexport	One DC-9 coml jet aircraft	2,338,459	10 semiannual beg. 12/15/78	6
JULY 1, 1973 TO JANUARY 31, 1974				
Australia: Ansett Transport Industries	One B 727 Flight Simulator related equipment and services.	765,000	5 semiannual beg. 2/10/77	6
Belgium: Sabena Airlines	Ten 737-200 jet aircraft related goods and services	28,005,360	10 semiannual beg. 12/1/79	6
Canada:				
Eastern Provincial Airways	One 737-200 jet aircraft related goods and services	2,610,000	10 semiannual beg. 5/5/79	6
Canadian Pacific Ltd	One 747 jet aircraft related goods and services	13,000,000	10 semiannual beg. 5/15/79	6
Air Canada of Montreal	One 747 and Five 727-200 related goods and services	29,800,000	10 semiannual beg. 11/20/80	6
Transair Ltd	One 737-2A9 jet aircraft related goods and services	3,033,000	10 semiannual beg. 6/15/80	6
Republic of China (Taiwan):				
China Airlines	One used 707 jet aircraft	2,160,000	7 semiannual beg. 11/5/78	6
	One used 707 jet aircraft related spare parts and services	2,000,000	7 semiannual beg. 8/5/78	6
Denmark: Maersk Air I/S	Two used 720B jet aircraft related goods and services	1,560,000	5 semiannual beg. 2/5/77	6
France: Union de Transports Aeriens SA (UTA)	One used DC 8-63 related goods and services	4,725,000	7 semiannual beg. 1/10/78	6
Republic of Gabon	One L 100-30, related spare parts and ground equipment	3,338,000	7 semiannual beg. 7/10/79	6
Honduras:				
Transportes Aereos Nacionales (TAN)	One 737-200 jet aircraft related spares and equipment	3,273,750	10 semiannual beg. 4/5/80	6
Servicio Aereo de Honduras (SAHSA)	One 737-200 jet aircraft related spares and equipment	3,273,750	10 semiannual beg. 4/5/80	6
India: Indian Airlines	Three 737-200 jet aircraft related goods and services	8,640,000	10 semiannual beg. 4/15/80	6
Iran: Iran National Airlines	Three 727-200 and Two 747 SP jet aircraft related spares, equipment and services.	45,360,000	10 semiannual beg. 2/15/80	6
Republic of Ivory Coast: Ministry of Finance	One used Grumman Gulfstream I	607,500	5 semiannual beg. 1/10/77	6
Jamaica: Air Jamaica Ltd	Two DC 8-61 and One DC 8-62 used jet aircraft related and services.	9,450,000	7 semiannual beg. 11/5/78	
Malaysia: Malaysian Airline System	One 737-200, related spares equipment and services	2,925,000	10 semiannual beg. 3/15/80	6
Mexico: Compania Mexicana de Aviacion	Three 727-200 jet aircraft related spares, equipment and services.	11,925,000	10 semiannual beg. 1/6/08	6
Netherlands Antilles: Transavia Holland N. V	One 737—200C jet aircraft, spare parts and engines and related requipment and services.	3,073,590	10 semiannual beg. 11/5/79	6
Spain:				
Iberia Air Lines	Eleven 772—100 jet aircraft, related goods and services	38,560,000	9 semiannual beg. 5/10/80	6
	Two DC-10 jet aircraft, related goods and services	19,880,000	9 semiannual beg. 5/10/80	6
Aviacion Y Comercio S. A	Six DC-9 jet aircraft, related goods and services	15,352,244	9 semiannual beg. 3/15/81	6
Switzerland: Swissair	Ten DC-9—50 jet aircraft, related spare parts and engines, equipment and services.	34,160,000	10 seminanual beg. 9/30/82	6
Trinidad and Tobago: British West Indies	One used 707—320 jet aircraft, spare parts and modifications.	3,780,000	7 semiannual beg. 2/15/77	6
United Kingdom:				
British Overseas Airways	Two 747 jet aircraft, related goods and services	21,280,000	10 semiannual beg. 5/15/79	6
Britannia Airways	Two 737—200 jet aircraft, related goods and services	5,100,000	10 semiannual beg. 8/10/79	6
Laker Airways Ltd	One DC-10—10 jet aircraft, related goods and services	8,961,750	10 semiannual beg. 10/10/79	6

APPENDIX B

CASH FLOW COMPARISON OF AIRCRAFT FINANCED WITH EX-IM PARTICIPATION VERSUS COMMERCIAL FINANCING AT 11 PERCENT

[In thousands of dollars]

Year	Foreign carrier: Commercial financing [1]	Foreign carrier: Ex-Im financing [2]	Foreign carrier: Total	U.S. carrier with commercial financing: 10 yr. [3]	U.S. carrier with commercial financing: 16 yr. [4]	Foreign carrier cash flow advantage [5]: 10 yr.	Foreign carrier cash flow advantage [5]: 16 yr
1	4,058.6	1,050.0	5,108.6	5,094	4,065.5	(14.6)	(1,043.1)
2	4,058.6	1,050.0	5,108.6	5,094	4,065.5	(14.6)	(1,043.1)
3	4,058.6	1,050.0	5,108.6	5,094	4,065.5	(14.6)	(1,043.1)
4	4,058.6	1,050.0	5,108.6	5,094	4,065.5	(14.6)	(1,043.1)
5	4,058.6	1,050.0	5,108.6	5,094	4,065.5	(14.6)	(1,043.1)
6		3,658.4	3,658.4	5,094	4,065.5	1,435.6	407.1
7		3,658.4	3,658.4	5,094	4,065.5	1,435.6	407.1
8		3,658.4	3,658.4	5,094	4,065.5	1,435.6	407.1
9		3,658.4	3,658.4	5,094	4,065.5	1,435.6	407.1
10		3,658.4	3,658.4	5,094	4,065.5	1,435.6	407.1
11					4,065.5		4,065.5
12					4,065.5		4,065.5
13					4,065.5		4,065.5
14					4,065.5		4,065.5
15					4,065.5		4,065.5
16					4,065.5		4,065.5
Total	20,293.0	23,542.0	43,835.0	50,940	65,048.0	7,105.0	21,213.0

[1] $15,000,000 at 11 percent for 5 yr with equal annual payments (0.2705703095 times $15,000,000).
[2] $15,000,000 at 7 percent for 5 yr with repayment beginning at the 6th yr. Interest for 1st 5 yr is paid annually (0.07 times $15,000,000; 0.2438906944 times $15,000,000).
[3] $30 000,000 at 11 percent for 10 yr with equal annual payments (0.1698014271 times $30,000,000).
[4] $30,000,000 at 11 percent for 16 yr with equal annual payments 0.1355167470 times $30,000,000).
[5] Cash flow advantage crosses from U.S. carrier to foreign carrier in the 6th yr.

APPENDIX C

MAJOR U.S. INTERNATIONAL AIRLINES

PRINCIPAL LONG-TERM DEBT AND GUARANTEED LOAN CERTIFICATES (AS OF DEC. 31, 1972)

	Interest rate	Amount (thousands)
PAN AMERICAN WORLD AIRWAYS, INC.		
Long-term debt:		
Bank loans	(1)	$175,000
Notes payable, purchase agreement	8.125	17,900
Institutional loan agreements:		
Due 1989	4.37	60,000
Due 1989	4.82	30,000
Due 1989	6.00	50,000
Due 1990	5.25	100,000
Due 1991	6.50	162,050
Convertible subordinated debentures: various	4.50-5.50	409,072
Guaranteed loan certificates:		
Due October 1986	11.25	77,359
Due December 1986	11.125	82,836
TRANS WORLD AIRLINES, INC.		
Long-term debt:		
Senior notes, series A to F: various	5.375-6.50	340,050
Revolving credit notes	(2)	46,875
Credit agreement notes, equipment	(1)	46,875
Sterling notes 1982-85	5.50-6.50	30,616
Subordinated debentures 1992 and 1994	4.00-5.00	249,988
Subordinated income debentures	6.50	96,438
Guaranteed loan certificates:		
Due May 1985	10.00	70,000
Due May 1987	11.00	53,600
Leased obligations capitalized (Kansas City Airport)	7.875	13,462

[1] 1½ of 1 percent above prime rate.
[2] ¼ of 1 percent above prime rate.

Source: 1972 annual reports.

EXIMBANK ANNOUNCEMENTS 1974 LOANS TO FOREIGN AIRLINES

January 16: $3,033,000 loan to Canadian carrier Transair toward purchase of 737 for $6,740,000. 6% interest.

*January 17: $29.8 million loan to Air Canada toward purchase of one 747 and three 727 aircraft for $74.5 million. 6% interest.

*January 21: $8,640,000 loan to Indian Airlines toward purchase of three 737 aircraft for $19.2 million. 6% interest.

*January 28: $8,961,750 loan to Laker Airways toward purchase of DC-10 for $19,915,000. 6% interest.

*February 20: $2,385,000 loan to Niagara Finance Company, Ltd. toward purchase of used 727 aircraft for $5.3 million; aircraft is to be leased to Pacific Western Airways, Ltd. for 10 years. 6% interest.

February 25: $1,260,000 loan Manufacturers Hanover Leasing Nassau, Ltd. toward purchase of used DC-9 aircraft for $2.8 million. Aircraft to be leased to Venezuelan carrier LAV for seven years. 6% interest.

*February 27: $9,202,500 loan to Jugoslovenski Aerotransport (JAT) toward purchase of two Boeing 727 aircraft for $20,450,000. 6% interest.

*February 28: $4,080,000 loan to Iberia toward purchase of spare parts equipment and services for $10.2 million. 6% interest.

*March 4: $11,640,000 loan to Air Canada toward purchase of one Boeing 747 for $29.1 million. 6% interest.

March 8: $400,950 loan to Air Mauritania toward purchase of two used F-27 aircraft for $891,100. 7% interest.

March 27: $6.8 million loan to Instituto Mobilaire Italiano (IMI) toward purchase of three DC-9 aircraft for ATI, wholly owned subsidiary of Alitalia. 6% interest.

*April 8: $11,804,400 loan to Air France toward purchase of one Boeing 747 for $29,511,000. 6% interest.

*April 9: $3,880,000 loan to Royal Jordanian Airline (ALIA) toward purchase of one Boeing 727 aircraft for $9.7 million. 6% interest.

April 10: $22,698,000 loans (2) to VASP (Brazil) toward purchase of five new and four used Boeing 737 aircraft for $50,440,000. 6% interest.

April 12: $1,289,250 loan to Invicta International Airlines, Ltd. (UK) toward purchase of one used Boeing 707 aircraft for $2,865,000. 6% interest.

*April 16: $2.7 million loan to Eastern Provincial Airways, Ltd. (Canada) toward purchase of one Boeing 737 for $6 million. 6% interest.

April 16: $5.6 million loan to Austrian Airlines toward purchase of two DC-9 aircraft for $14 million. 6% interest.

April 19: $19,575,000 loan to Cruzeiro (Brazil) toward purchase of six Boeing 737 aircraft for $43.5 million. 6% interest.

April 25: $18.9 million loan and guarantee of $18.9 million private loan to THY (Turkey) toward purchase of four Boeing 727 aircraft. 6% interest.

May 1: $2,880,000 loan to Air Algerie toward purchase of one Boeing 737 for $6.4 million. 6% interest.

*May 8: $8,699,400 loan to Pacific Western Airlines, Ltd. (Canada) toward purchase of three Boeing 737 aircraft for $19,332,000. 6% interest.

*May 8: $43,245,000 loans (2) to Varig (Brazil) toward purchase of ten Boeing 737 and one DC-10 aircraft for $96.1 million. 6% interest.

* Foreign airlines which directly compete with U.S. carriers.

Mr. SCHWEIKER. I think it is very appropriate that only this morning there was an advertisement that was run in the Washington Post by the employees of Pan American Airlines. We all know that Pan American Airlines has just said that they are in trouble and they want a $10-million-per-month Government subsidy to bail them out. Here, in this morning's paper, by sheer coincidence, is a full-page ad signed by the 32,500 employees of Pan American.

I read just one paragraph of this open letter to the American people from the employees of the "World's Most Experienced Airline:"

Ask our own government, why the U.S. Export-Import Bank loans money to airlines of "underdeveloped" nations, like France, Japan and Saudi Arabia, at six percent interest while Pan Am pays twelve percent. Their low interest loans are used to buy airplanes that they use to compete against Pan Am. Not allowing Pan American access to these same interest rates means that we pay seven million dollars more than the foreign airlines for the same Jumbo jet.

This is really the height of irony. Here we have Pan American bankrupt. Yet, they have to pay $7 million more to buy their planes than the U.S.-subsidized foreign competitor does, and now they are back to the Government asking for another subsidy to save it from the first subsidy. Only in America would we come up with two subsidies to solve the same problem. That is exactly what we are confronted with now.

I have a sheet that shows very clearly what this means in dollars and cents. Basically, it shows that we discriminate horribly against our own domestic airlines, who get the kind of licking and pasting that Pan American took.

To explain why this massive subsidy is required to enable U.S. aircraft manufacturers to profitably export aircraft which no one else can make, the Eximbank has prepared a fact sheet. It is titled: "Eximbank support is necessary even though certain products may be available only in the U.S." This fact sheet warns that the Europeans now have their A300 Airbus in production, and argues that the only way to insure that our wide-bodied jets remain competitive is through more Eximbank subsidies.

Mr. President, the American companies who make 96 percent of our export sales—without Eximbank help—compete with dozens or hundreds of firms for each sale. The U.S. wide-bodied aircraft manufacturers have one foreign competitor—a competitor which at last count had peddled orders for only 14 aircraft.

That is the competition we allegedly are competing with and why we so badly need these subsidized loans.

If our airlines cannot compete without subsidies, I wonder how anyone can.

I think one other interesting statistic is that to buy an airplane worth $30 million, a foreign airline pays $43 million, with the interest subsidy given to it. If an American carrier bought the same $30 million airplane on a 10-year basis, it costs him $50 million, or $7 million, as Pan Am says in its ad, more. But if they have to go to 16-year financing, and many of them do because of big expense, it costs them $65 million.

So, here we have an airplane that sells for $30 million. If a foreign airline buys it, it costs it $43 million. If an American airline buys it on a 16-year basis, it costs double the original price, or $65 million. Every time one of Pan Am's foreign competitors buys a $30 million aircraft with Ex-Im financing, it gets a whopping $7 million to $20 million discount below the price paid by Pan Am.

Mr. PROXMIRE. Will the Senator yield on that point?

Mr. SCHWEIKER. I am glad to yield.

Mr. PROXMIRE. I congratulate the Senator on making that point, because it so beautifully illustrates the futility of this kind of policy. After all, if the foreign airline could not buy their 747 or other long-range jet from Boeing, whom would they buy it from? They might buy it from McDonnell Douglas, but they cannot buy it from another country, because they are all built in this country.

Is it not true that 85 percent of these planes are built in this country, and that the competition is overwhelmingly within the United States?

Mr. SCHWEIKER. That is correct.

Mr. PROXMIRE. So this does not secure business for us, or increase our exports; all it does is lower the costs for foreign airlines competing with the airlines operating in the United States.

Mr. SCHWEIKER. The Senator is quite correct. In fact, all it does is put our airlines out of business.

It is not just Pan American I am talk-

ing about. I ask unanimous consent to have printed in the RECORD a letter from the president of Northwest Airlines, Donald W. Nyrop, in which he details the adverse impact of Eximbank Subsidies to Northwest's foreign competitors.

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

NORTHWEST AIRLINES, INC.,
St. Paul, Minn., September 5, 1974.

Hon. RICHARD S. SCHWEIKER,
U.S. Senate, New Senate Office Building, Washington, D.C.

DEAR SENATOR SCHWEIKER: Congress is currently considering a bill to extend the life of the Export-Import Bank and an amendment has been proposed which would put the Bank on a self-sustaining basis requiring it to charge interest at not less than the prevailing market rate for comparable loans.

In the past, foreign air carriers have been able to purchase U.S. manufactured aircraft with funds borrowed from the Export-Import Bank at interest rates substantially below that paid by U.S. carriers. In the last year and one-half interest rates have risen sharply for those U.S. carriers while the Export-Import Bank made no effort to raise the rates charged to foreign air carriers. As a consequence, U.S. carriers competing with those foreign carriers are at a significant competitive disadvantage. In effect the Bank has been subsidizing foreign air carriers.

Northwest Airlines does not take the position it should be entitled to purchase aircraft at the favorable Export-Import Bank rate, but believes that the Bank should, indeed, be on a self-sustaining basis and all loans should be extended at the private market rate prevailing in the U.S. as proposed by your amendment.

Sincerely,

DONALD W. NYROP.

Mr. SCHWEIKER. The fact is, Mr. President, that Eximbank has subsidized U.S. sales to foreign airlines so lavishly that Congress and the taxpayers are now being asked to subsidize the U.S. airlines. This does not make any sense to me, and my amendment will end this expensive interest subsidy.

My amendment will also ease the current capital crunch now facing every American business. The Eximbank does not get money out of the air—it borrows it from the U.S. Treasury and the private capital market, competing with all other borrowers, public and private. And so when the Eximbank siphons off $1.2 billion from the private capital market, as it will in fiscal year 1975, it aggravates our capital shortage—and it then lends this money at half the going rate, depriving the Treasury—and indirectly the taxpayer—of a fair return.

The Eximbank response to this charge is that it operates profitably, and returns $50 million each year to the U.S. Treasury. The Bank does not point out that this $50 million amounts to only a 5-percent return on the $1 billion originally invested by the Treasury in the Bank. If Eximbank loans were made at prevailing market rates, as my amendment requires, the Eximbank dividend to the Treasury could be raised to give the American taxpayer a fair return.

In closing, I would like to emphasize that my amendment will not cripple the Bank—only about 25 percent of the Bank's business is in the direct loan area. It will not undercut the Bank's objectives—the Overseas Private Investment Corporation, with similar objectives has loaned only at the market rate for years. And my amendment will not adversely affect U.S. export levels or balance of trade, since 96 percent of our exports are made without any Eximbank loans.

Mr. President, I refer again to one other case. Recently a refinery was to be built in the Caribbean for oil refining. It turned out that the reason they were building an oil refinery in the Caribbean and shipping the oil into the United States was strictly because they can get a 5-percent interest subsidy; so instead of building the oil refinery in the United States, where we probably ought to have it, they put it the Caribbean, and ship the oil here, because we are subsidizing it to the extent of 5 or 6 percent of the prime rate.

I can think of no worse distortion of the tight money situation that we have in this country than thus subsidizing the building of oil refineries in the Caribbean.

Mr. President, I urge the adoption of the amendment, and I yield to the Senator from Nevada (Mr. CANNON).

Mr. CANNON. Mr. President, I strongly urge my colleagues to give favorable consideration to the Schweiker-Cannon amendment No. 1853 requiring the Export-Import Bank to loan money to foreign businessmen at a rate comparable to that paid by Americans domestically.

It is presently no secret the U.S. economy is suffering badly through an over-restrictive monetary policy, The Department of Commerce is reporting new home construction last May was off almost 40 percent from the previous year. SBA-guaranteed bank loans to small businesses have been as high as 11 percent and small business failures have risen to 190 per week as compared to 170 last year. The total debt of small businesses going bankrupt is up to $200 million per month, 50 percent over 1973. Commercial prime rate has soared over 12 perent with adverse negative impact on our credit-sensitive sectors such as home mortgages.

Mr. President, while domestic business activity is coming to a crippling halt, the Export-Import Bank financed almost $4 billion in direct loans to foreign businessmen at interest rates of 6 and 7 percent, sapping some $1.2 billion from the critically short private-market money supply.

This money went to some of the largest corporations to subsidize only 4 percent of our export activity. Fully 96 percent of U.S. export activity survives at competitive market rates.

Lastly Mr. President, let us look at some effects of this banking activity. For example when a foreign airline buys a jet it can do so at $7 to $20 million less than an American carrier because of cut-rate Eximbank loans. Domestic carriers, already in dubious financial condition, cannot compete with the lower costs of foreign lines driving them further into debt. Pan Am will reportedly need some $10 million a month from the American taxpayer to stay in business. Is this how the Eximbank helps keep our economy healthy?

I must say, Mr. President, as chairman of the Aviation Subcommittee, that we are concerned very much with the problem of the ailing airlines of the United States today. To see this kind of a competitive situation exist, a situation which we permit to continue to the detriment of our own carriers—among many other things that we permit, I might say—really disturbs me very much.

The Wall Street Journal, one of the most respected financial publications, on June 28 called upon Congress to delay extending the Eximbank's authorization. We should go at least as far as requiring that it lend at competitive market rates.

I thank my distinguished colleague for yielding to me.

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

The PRESIDING OFFICER. The Senator from Oregon.

Mr. SCHWEIKER. Mr. President, I yield as much time as he may consume to the distinguished Senator from Idaho (Mr. CHURCH).

Mr. PACKWOOD. I was going to ask the Senator a question.

Mr. SCHWEIKER. Very well, if the Senator will let me yield first to the distinguished Senator from Idaho.

Mr. PACKWOOD. Mr. President, who has the floor?

The PRESIDING OFFICER (Mr. MCCLURE). The Senator from Oregon was recognized. However, the Chair would state to the Senator from Oregon that the time is under control. The Senator from Pennsylvania and the Senator from Illinois control the time. The Senator from Pennsylvania is recognized.

Mr. SCHWEIKER. I yield to the Senator from Idaho.

Mr. CHURCH. Mr. President, I strongly commend both the distinguished Senator from Pennsylvania and the distinguished Senator from Nevada for offering this amendment. I am happy to speak up in support of it, and I would propose, in doing so, to analyze the various reasons that have been given in justification for the subsidized interest rates that now prevail.

I think that these arguments can easily be answered, and that in view of changing circumstances, this policy can no longer be justified in the public interest.

The Export-Import Bank's low interest rates have an adverse impact on the domestic U.S. economy, nowhere better dramatized than in the case of the airlines, I might say. Subsidized export credits distort the operations of private capital markets by setting a higher priority on financing export loans than on domestic loans. The cost to the U.S. economy, therefore, is basically an opportunity cost in the sense that the Eximbank diverts private capital resources to alternative uses. The amount of funds available for domestic interest will be higher than otherwise.

In effect, cheaper export credit terms are achieved at the cost of higher domes-

tic interest rates. To the extent that higher interest rates discourage domestic investment, the cost will become manifested in a loss of domestic production and employment that would have been generated by the investment. The lower interest rates for exports than for domestic borrowing creates ludicrous situations such as that faced today by the U.S. airline industry. U.S. carriers have to pay domestic rates while their foreign competition pay the lower Exim rates for the same equipment.

It has been suggested by the supporters of the Eximbank that there are countervailing benefits derived from the Bank's subsidy of exports. Let us examine the various rationale for continuing to support the Export-Import Bank's subsidized interest rates.

First, there is the rationale that the subsidies given by the Export-Import Bank should be continued for balance-of-payments reasons. There was some justification for this rationale when there were fixed exchange rates but today we have floating exchange rates and so what happens when we increase exports is that we tend to upvalue or appreciate the dollar. This in turn decreases foreign demand for U.S. products and tends to reduce exports and to do away with any export benefits which might have been derived from the export subsidy. Those who gain in such a situation are the foreign borrowers who get U.S. products at reduced interest rates, not in the long run, the U.S. consumer.

It is clear that such Export-Import Bank action is not necessary for a country to have a very vigorous export sector. Germany, probably the world's economically healthiest exporter—save the oil-rich Middle East—has almost no Export-Import Bank-subsidized interest rates at all.

The second justification often stated for the U.S. Export-Import Bank low interest loans is that other governments are doing it so we need to. Well, Mr. President, I think it is a fine idea for other governments to subsidize our purchase of goods, especially in a time of galloping inflation. Indirectly these foreign Export-Import Banks are loaning money to U.S. consumers to purchase their products. If they want to enter into such a subsidizing of our consumption that is fine, it will help cut the rate of inflation here, but there is certainly no reason that we have to reciprocate. The balance of payments, as I have said, will be taken care of by exchange rate adjustments, which under the floating exchange rate system fluctuate with market conditions. In effect, the outcome of the whole transaction will be to have a transfer from foreign taxpayers to U.S. taxpayers in the form of a subsidy.

That is the business of foreign governments, and it certainly is no argument for continuing these subsidized rates through our own Export-Import Bank.

The final rationale is that the Export-Import Bank operations are needed to shield exporters from tight monetary policy. I see no reason why we should favor one sector of our economy over another. It would seem that if we were going to favor any consumers that they should be domestic consumers, not those of foreign countries.

In sum, it appears clear that the rationale for the Export-Import Bank subsidized interest rates is based upon premises which are no longer valid. It is neither necessary nor desirable to give special subsidies to the exporting sector of our economy at the expense of domestic consumption.

For that reason, the time clearly is at hand to reevaluate this program in the light of existing conditions, and I submit the arguments upon which the program rests, the three pedestals upon which this continuing subsidy is sought to be justified, are very unconvincing arguments, indeed. For that reason, I am glad to join in what I regard as a very wise and timely amendment being offered by the Senator from Pennsylvania and the Senator from Nevada, and I hope that the Senate will adopt it.

Mr. STEVENSON. Mr. President, I yield to the Senator from Oregon such time as he may require.

The PRESIDING OFFICER. The Senator from Oregon is recognized.

Mr. PACKWOOD. Mr. President, will the Senator from Pennsylvania yield for a question?

Mr. SCHWEIKER. I am pleased to yield for a question.

Mr. PACKWOOD. I want to make sure I understand how the Senator's amendment works. The Senator first says: The Bank shall conduct its operations on a self-sustaining basis. Now, are we agreed they do that today?

Mr. SCHWEIKER. No, they do not do it today because of the interest subsidy.

Mr. PACKWOOD. What interest subsidy?

Mr. SCHWEIKER. The interest subsidy where a foreign operation can get 6- or 7-percent money. That is not self-sustaining because the commercial rates are must higher than that.

Mr. PACKWOOD. When the Senator says self-sustaining, I assume he means the Bank wants to have over a period of years as much money going out in loans as it has repayments coming back in.

Mr. SCHWEIKER. I mean that, I also mean that the Bank must pay its fair share of the costs as they go along.

Mr. PACKWOOD. Pay what share of their costs?

Mr. SCHWEIKER. What my amendment says, the prevailing market rate. If it is not carrying the prevailing private market rate, it is not carrying its fair share of the load. Somebody else is subsidizing something.

Mr. PACKWOOD. No, nobody else is subsidizing something. The Bank operates on a self-sustaining basis. It has borrowed money in the past years at 5 or 5.5 percent; it sells bonds in the market, and it gathers in money from the sale of bonds; sometimes it sells it a 9 or 9.5 percent, but it operates on a self-sustaining basis. It gets no appropriations from the Treasury. It had an initial appropriation from the time it started.

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

Mr. PACKWOOD. Yes.

Mr. PROXMIRE. Is it not true that the Bank is able to lend money in part because they are able to borrow on their capital stock of $1 billion at 5 percent? Is it not also true they have retained earnings which really belong to the U.S. Government, or the taxpayers of this country, and they can borrow on that at 10 percent, and when we include all of that, we might say that they operate on a self-sustaining basis. But the fact is that the taxpayers of this country are ill-served because ordinarily that would go into the Treasury and reduce the debt, and the Treasury would not have to borrow at more than 8 percent.

Mr. PACKWOOD. Then an argument could be made for every Government corporation or quasi-government corporation that was ever given an initial Treasury appropriation and pays it——

Mr. PROXMIRE. Absolutely. If that agency ever loaned at the rate at which the Treasury borrowed money, they would indeed not be on a self-sustaining basis but rather on a subsidy from the taxpayers, no question about it.

Mr. STEVENSON. Mr. President, if the Senator will yield. One of the provisions in the bill is a new provision to prevent the Bank from borrowing from the Treasury at rates lower than that which the Treasury borrows from the public. That subsidy is eliminated from this bill.

Mr. PROXMIRE. That does not apply to retained earnings, and it does not apply to the capital stock.

Mr. BROCK. There is no borrowing on retained earnings.

Mr. PROXMIRE. But there is none on capital, either one.

Mr. BROCK. We do not take retained earnings and use them as collateral to borrow from the Treasury.

Mr. PROXMIRE. They use the money, they turn it over and use the money that they have.

Mr. BROCK. That is absolutely correct. If the Senator will note their record, since their inception the bank paid back on what they originally received plus dividends and collected enough interest and fees to build a reserve of a billion and a half dollars. That is not a subsidized operation. That is a pretty profitable operation by Government standards. I do not know of anybody who has done a better job than they have.

Mr. PROXMIRE. How can anybody loan money at 6 percent without having a subsidized operation?

Mr. BROCK. They are not loaning any money at 6 percent.

Mr. PROXMIRE. They are lending out money that would otherwise be turned back into the Treasury.

Mr. BROCK. In this case they are not loaning money at 6 percent, they have not been doing that.

Mr. AIKEN. Does not that 5 or 6 percent that we refer to time and again apply to loans or guarantees that were made a few years ago, and is not that rate 8 percent plus today?

Mr. PACKWOOD. Yes.

Mr. AIKEN. If it is not, then somebody has not told us the truth.

Mr. PROXMIRE. We are talking about what this legislation would permit them to do, and what it would permit them to do is to continue to use their retained earnings that they hold at zero percent interest capital stock on which they pay a dividend of 5 percent, and it would enable them to lend at a average, as I calculate it, of about 5½ percent.

Mr. PACKWOOD. I wonder if I might pursue his amendment further with the Senator from Pennsylvania.

What I do not understand, assuming we agree that we want to have the Bank be on a self-sustaining basis, the Senator next says that it "shall require the payment of interest on the unpaid balance of any extension of credit by the Bank at a rate which is not less than the prevailing market rate."

If the British Power Authority buys a generator from Westinghouse for $100 million, and it is to be paid back over 10 years, the Bank gives Westinghouse the $100 million which they are paying back over 10 years, does that rate fluctuate year by year on the unpaid balance remaining or is it a firm rate of interest at the time the loan is made?

Mr. SCHWEIKER. The Senator is correct in assuming that it is a prime rate of interest at the time the loan is made.

Mr. PACKWOOD. What does this mean "it shall require the payment of interest on the unpaid balance of any extension of credit by the Bank at a rate which is not less than the prevailing private market rate?"

Mr. SCHWEIKER. That is for the term of the loan and as determined by the Secretary of the Treasury at the time the unpaid balance comes due in terms of the initial transaction.

Mr. PACKWOOD. All right. The Senator means—wait a minute, when it comes due or does the Senator mean at the time the initial loan is made?

Mr. SCHWEIKER. I meant what I said, I meant exactly at the time the loan is made.

Mr. PACKWOOD. Very well. So it does not fluctuate during the term of the loan.

Mr. SCHWEIKER. The Senator is correct.

Mr. PACKWOOD. Now, let us take another assumption with the British Power Authority and Westinghouse, and let us make it clear it is understood this money does not leave the country. This is not a gift to Russia or a grant to Great Britain. The British Power Authority decides it wants generators, it takes bids, Switzerland, Germany, United States, and England, and finally decides they would like to buy Westinghouse generators if they can get the appropriate amount of credit and the Export-Import Bank agrees to finance this.

The cost of borrowing from the Bank is, let us say it is 8½ percent, which is higher even now than the average cost of borrowing, are we saying that if the commercial rate in this country is 12 percent, the Eximbank cannot guarantee that loan or underwrite that loan at less than 12 percent?

Mr. SCHWEIKER. Mr. President, whose time is this on?

Mr. PACKWOOD. I will take it on the bill, if necessary.

Mr. SCHWEIKER. Will you restate that then?

Mr. PACKWOOD. Yes. If the Bank can borrow at 8.5 to 9 percent and they are willing to help Westinghouse sell generators to Great Britain and underwrite them at a sustaining cost, if the prevailing market rate is 11 or 12, the Bank cannot loan at less than that.

Mr. SCHWEIKER. This amendment is designed very simply to make the same business opportunities available to our Eximbank system as are currently available on the going rate market.

It could not be clearer than that, in spite of the Senator's questions, I can stand here and go back and forth, but it is very clear.

It is an equalizing amendment between what we are doing commercially in this country and what is being done——

Mr. PACKWOOD. I think it is clear, could the Bank loan at 2 or 3 percent more than it costs them to get the money?

Mr. SCHWEIKER. I want them to be competitive so we do not force Pan Am to the wall and so that we do not build a refinery in Jamaica when it should be in this country, that is the purpose of my amendment.

Mr. BROCK. Will the Senator yield?

Mr. PACKWOOD. Yes.

Mr. BROCK. Would the Senator take as his next premise, that we should abolish loans——

Mr. PACKWOOD. Would the Senator repeat his question?

Mr. BROCK. Should we take the next step and attack FHA and VA loans or any other form of Federal support including small business loans. The premise is the same, is it not?

They are not at the prevailing rate of credit, not even close to it, but I think many are in the national interest.

Now, if the Senator finds it is not in the interest to employ people on a particular industry that is exporting, why should he want to employ people in housing rather than those who are not in housing?

Mr. SCHWEIKER. Again, I do not think it is to our national interest to force Pan Am to the wall, nor make every foreign airline far more advantageous credit-wise than domestic airlines.

I do not think it is in the national interest to encourage refineries built abroad instead of this country.

It is in the national interest to give veterans and other groups, students, for example, the preferential rate of interest.

I do not think it is in the national interest to loan money to put our own companies out of business or scatter our export technology abroad.

Actually, many businesses would rather export their technology abroad that we need in this country, because we give them 5 percent to do it.

So we are greasing the slide to export more abroad by this, and that is not in the national interest.

Mr. BROCK. But this is to prohibit the veteran from working. If he had a job with an aircraft or Westinghouse plant that is exporting we would be denying him his job.

So we will give him a low-interest housing loan, subsidize it, but where will he get the money to repay that loan if he has no job?

There are 3 million people involved in this, in this country, that is not an inconsequential number of individuals.

They have no opportunity under the present circumstances——

Mr. SCHWEIKER. The Senator is correct about the number of people, but he probably did not hear my earlier statement that 96 percent of the export trade we now have is done without these cheap interest loans. So we are not crippling anybody, because 96 of the business will go on as usual. Four percent has been getting preferential treatment and a few deals will not——

Mr. BROCK. Now, the Eximbank was not set up to get deals. The law says they do not get involved if there is credit available from private sources at a competitive rate. If there are funds available in the marketplace, they have to get them there.

Second, the Eximbank does not get involved in any circumstances in 100-percent financing. Generally Eximbank financing is about 30 percent of an export sale. The only purpose of this is to help our firms to compete; help our people to compete with rates that are less than half, less than half of ours internationally because of direct subsidy the foreign banks gain.

The word should not be used lightly around here. There is no Treasury expenditure of funds for this Eximbank program. I do not see how the Senator can call it a subsidy when there is none. The fact is that when business loans were 4½ percent, Exim was charging 6.

One of the reasons they wanted a profit is because they knew, certainly, we would come up with a situation where the rate was over——

Mr. PACKWOOD. If I might——

Mr. BROCK. They had to have that kind of thing, but to take off the top of the curve would prohibit them from giving our people a chance—a chance at the market price.

That is what I find fault with.

Mr. SCHWEIKER. A point in my speech was that one-third of the Exim loans deal with airframe and aircraft construction which is 95 percent competitive, so the Senator's argument does not hold up there because we do not have competition, and 95 percent of the airframe business, so that the Senator is on shallow ground.

We will make a special deal for a special thing. It puts Pan Am out of business. We are not helping industries that do need it. We are helping noncompetitive industries to be competitive.

Mr. PACKWOOD. The only airframe to be called noncompetitive is the 747, the wide-bodied air bus. We are fighting a French combine all over the world. To sell any kind of a plane smaller than that, we are in competition with foreign airplane manufacturers all over the world.

The 747 at the moment is a unique exception, but I do not think the Senator should generalize to the entire airline industry on the basis of that one plane.

Mr. BROCK. Nor should the Senators say that Pan Am is in trouble because of Eximbank loans—there are not that many 747's out there and not that much competition.

We have a problem with Pan Am, because that they are attempting to compete with government airlines in England, France, Germany, they do not have any requirement that subsidizes their loans in order to acquire the traffic, for the purposes of national prestige, and they do not care about the airline.

Mr. CANNON. Will the Senator yield?

Mr. PACKWOOD. I yield to the Senator.

Mr. CANNON. Let us not oversimplify the problem of Pan Am and blame it on other things.

With Pan Am, a part of their difficulty does stem from this source, but other sources the U.S. Government has permitted to exist.

Mr. BROCK. The Senator is correct.

Mr. CANNON. We pay a higher rate to foreign carriers than we do Pan Am for carrying mail over the exact same route—Pan Am or TWA.

We permit that sort of condition to exist as a detriment against our own carriers.

We permit the charge of exhorbitant landing fees in foreign countries to Pan Am and TWA, and other U.S. carriers, and do not turn around and take retaliatory action.

I think it is about time we did something along that line.

Just a short time ago here on the Senate floor we had a situation of an aerospace company that had gotten an advance on loans and because of the change in the interest rate had turned around and invested in a short-term note and made a profit of $2 million.

So I propose to write in on the floor on future advances on loans they would have to pay the Treasury rate, what it cost the Government plus a half percent, or the short-term rate, whichever was higher.

The distinguished Senator from Wisconsin came up with an amendment to prohibit any kind of advance payments at all.

So that is the way we treat our operators here, yet we want to turn around and benefit some foreign country.

Here is a foreign country, get in the airplane business, loan them money.

They could load half the population of their country into a 747 for one trip.

That is about the way it has been in some of these cases. So let us be a little realistic. Let us start looking after the United States a little more instead of looking after some of these foreign countries as much as we are doing.

I thank the Senator for yielding.

Mr. BROCK. I could not agree more with the Senator's last point, nor could I agree more with the fact, and it is a fact, that all of these factors are making it almost impossible for our international carriers to compete the actions of this Government and the competition of the foreign governments. But I honestly do not think that you can penalize all America for one particular industry problem. That is what this amendment does. This amendment is not going to bail out Pan Am if it passes 20 times. Nothing here is going to bail them out. Let us be factual about that. But the amendment goes beyond Pan American. The amendment goes to 3 million jobs in this country. People are involved in those jobs. And these are not big industries alone; they are also small businesses.

Last year we had 79 percent of the authorizations of this program supporting sales of less than a quarter million dollars. That is small business. Those are not giant, international organizations. They would not have been made, these sales would not have been made, and the jobs filled by American working people were it not for this program. That is what the debate is all about.

I am sympathetic with what the Senator from Pennsylvania is trying to do, but the effect of his amendment goes far beyond his stated intent. That is why I am going to offer a substitute.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. STEVENSON. The purpose of the Eximbank is to retain competitive positions for American companies in world markets. International trade becomes more competitive as industrial nations promote their exports with subsidized rates in order to generate the revenues with exports with which to pay their high oil bills. The effect of this amendment, and I think it ought to be made clear, is to abolish the Eximbank. This amendment, if adopted and made law, would telegraph to every competitor of the Eximbank in the world the rate at which it could make its financing available, and permit every such competitor the opportunity to undercut the financing of the Eximbank.

At the rate required by this amendment, which I suspect would be somewhere in the neighborhood of 10 or 11 percent, depending upon the term of the loan, there would be no business for the Eximbank. In fact, there would be no need for an Eximbank.

If financing is going to be made available by the Bank at those rates exporters might as easily look to private money markets for their financing. For those who are trying to finance exports to parts of the world where credit is risky or not available there just would not be any sales.

I think the proponents of this amendment raise some very legitimate concerns. I do not want to suggest that the whole question of whether there should be an Eximbank is not a legitimate issue. But if that is the purpose, then it seems to me it ought to be laid bare to abolish the Eximbank, and we ought to make the decision on that basis today.

If, on the other hand, the purpose of the amendment is to prevent the bank from having an adverse impact on U.S. industries—as, for example, happens in the case of Pan Am and the acquisition of Boeing Aircraft by JAL—then the concerns are already met by the bill. The amendment becomes redundant.

I will cite three or four provisions of the bill to make that point. It is a concern I might add that the Senator from Oregon and I share, and share in full. We have held lengthly hearings on this. As a matter of fact, we heard from TWA and from Pan Am. The existing law directs the Bank to provide export credit rates and on terms which are competitive with the government-supported credit available from other countries.

One of the more significant changes is to delete that word "direct" and make it permissive.

In addition, the bill mandates the Bank to cooperate with other export financing instrumentalities in the world to seek to minimize competition by raising, through agreement, the interest rates of all such instrumentalities.

Section 3 of the act adds a new provision which says that financing will be provided "only to the extent that sufficient private financing is unavailable." That is addressed to one of the concerns raised by the proponents of this amendment.

Another provision added to existing law states that the Bank shall not authorize loans, guarantees, assistance, or insurance to assist in exports which may have serious adverse effects on the competitive position of the U.S. industries.

All of the concerns which have been expressed by the proponents of this amendment are already addressed in the bill, except for one concern which has been unexpressed. That concern is a legitimate one. Simply stated, it is whether there should be an Eximbank at all.

The effect of this amendment is to say no, there should not be an Eximbank. That fact would be the effect of this amendment. It would simply put the Eximbank out of business.

I would suggest if that is the decision, we ought to face up to it. We ought to face up to the issue for what it really is and debate it on that basis. But the concerns which have been expressed have been, to the extent possible, already addressed in this bill.

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

The PRESIDING OFFICER. On whose time?

Mr. STEVENSON. On the bill.

The PRESIDING OFFICER. Equally divided on the bill?

Mr. STEVENSON. Yes.

The PRESIDING OFFICER. Without objection, it is so ordered, and the clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. BROOKE. Mr. President, I ask

unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered. Who yields time?

Mr. STEVENSON. Mr. President, I yield 5 minutes to the Senator from Illinois.

Mr. PERCY. Mr. President, I respectfully disagree with my colleague (Mr. SCHWEIKER) and support the amendment introduced by Mr. BROCK. I do so for two reasons: First of all, the tremendous importance of the Eximbank to our entire export field. Though the Export-Import Bank finances about $13 billion out of our $70 billion of exports, about 18 percent, it should be taken into account that if you exclude agricultural exports, fuels, chemicals, and materials, which do not require this type of financing, it comes closer to one-third of our total exports.

The second point is that it does support essentially the capital goods exports of this country. These are the types of goods that require a longer term credit, the kind that commerical banks are simply not in a position, ordinarily, to support.

Also, these are the very kinds of goods that expand production, increase availability of supplies and equipment available for American manufacturers, and which tend then to bring down prices and help in the problem of worldwide inflation.

The question has been raised as to whether or not we are simply helping a lot of big manufacturers. It should be pointed out that subcontractors play an immensely important role in American industry. For example, we have discussed 747's. When we discuss financing and supporting the export of 747's, we are talking about supporting the work of 16,500 U.S. suppliers that work for Boeing and help manufacture those products. Our major complexes are dependent upon thousands of subcontractors and small businessmen who are supported by this effort.

Westinghouse and General Electric indicate that they have approximately 5,000 subsuppliers for every nuclear plant, the financing of which we help support through Export-Import.

The argument is made that we are just giving help and assistance to the wealthiest countries. That is untrue. Two-thirds of the countries that receive these exports are not in the wealthiest category, and even in the one-third that are in the wealthy category, not everyone in that country is being helped. It may be a wealthy country, but the loan might be made to help finance a purchase by an importer who cannot be financed in any other way.

It should be noted that approximately one-half of 1 percent of Exim loans in fiscal year 1973 went to wholly owned subsidiaries of U.S. multinational corporations.

Certainly, these are not just gifts to big business in America. This is to provide the kind of exports we need in this country to finance and pay for the higher priced fuel, the higher priced raw materials that are coming into this country and keeping American industry going. To destroy this availability, I think, would strike a mortal blow at American enterprise and the American economy itself.

We have to take into account that 800,000 people are dependent upon exports for their jobs in this country, and this bill is designed to protect 800,000 American jobs. We have to find an answer. We cannot let that great American enterprise fail.

Airlines in India and other countries will offer 21-day packages to get you to stay in their country for 21 days and spend American dollars there, and they will subsidize the air transportation to get you over there to spend and buy. That is the kind of competition American companies have. This is the same kind of competition American enterprise is up against.

A fair and reasonable rate should be paid, but I think we must have a realistic one in order to hold our export markets.

The PRESIDING OFFICER. What is the will of the Senate?

Mr. PACKWOOD. Mr. President, I suggest the absence of a quorum, with the time to be taken from the time on the bill.

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

The assistant legislative clerk proceeded to call the roll.

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

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

Who yields time?

Mr. STEVENSON. Mr. President, I am prepared to yield back the remaining time on the Schweiker amendment.

The PRESIDING OFFICER (Mr. CLARK). Does the Senator from Pennsylvania yield back the remainder of his time?

Mr. SCHWEIKER. Mr. President, I yield back the remainder of my time, and I send to the desk a substitute for my amendment.

The PRESIDING OFFICER. The substitute amendment will be stated.

The assistant legislative clerk read as follows:

(7) Notwithstanding any other provisions of this Act, any loan, extension of credit, or participation therein by the Bank shall bear interest at a rate no less than the lower of the prevailing average private market rate of loans of comparable maturity or the average of the prime lending rates of the 25 largest commercial banks in the United States, as such average rate is determined by the Secretary of the Treasury as of the last day of the month preceding the date of the loan, extension of credit, or participation therein.

Mr. SCHWEIKER. Mr. President, I accept this substitute in behalf of the distinguished Senator from Montana (Mr. MANSFIELD); the distinguished Senator from Wisconsin (Mr. PROXMIRE), and the distinguished Senator from Nevada (Mr. CANNON). It is just a clarifying amendment in that it simply gives one or two targets to shoot at. It says "or the commercial banks," whichever is lower. This will eliminate some of the argument. I do not need anymore time to discuss this as far as I am concerned, since this is clarifying language.

Mr. HATHAWAY. Mr. President, there has been a great deal of misunderstanding and controversy recently about the interest rate Eximbank charges on the loans it makes to foreign purchasers of our exports. Much of the debate appears to have been caused by the recent sharp increase in the rates of interest our citizens must pay when borrowing money to buy a home or expand a business. The difference between the rate that Eximbank charges and the rate our citizens pay seems at first glance unfair and one immediately concludes that there must be a subsidy somewhere.

Mr. President, Eximbank determines the rate of interest it charges on its loans by looking at its interest cost for the money it borrows and to the competition our exporters face from their foreign counterparts who receive official export assistance from their countries. I do not believe that Eximbank should be given an absolutely unfettered and free hand in determining the interest rate it charges, but I do believe it must have flexibility so as to be able to fulfill the purpose for which we set up the Bank.

First of all, let us look at the competition that Eximbank and our U.S. exporters are facing.

The official export credit agencies of other major industrial countries currently provide a lot more financial support to their exporters than does Eximbank. For almost all medium- and long-term export transactions, these agencies will provide low interest rate financing—as low as one-half the prevailing market rates of interest—for as much as 85 percent of the contract price. In contrast, most of the exports assisted by Eximbank are largely financed by private commercial banks at their prevailing interest rate—usually prime plus ½ to 2 percent. In the minority of cases where Eximbank does provide financing, the loans never cover more than 45 percent of contract price and often as little as 30 percent. The net result is that the foreign government supported interest rates can be as much as 3¼ percent lower than the financing available for U.S. exports.

Eximbank is currently working to achieve an international "gentlemen's agreement" that will bring other countries' export interest rates more in line with our own and with their cost of money. If we can achieve agreement on interest rates and on other export financing terms, the facilities of the Bank will continue to be competitive with those offered by other governments although Eximbank will still be offering substantially less overall support in terms of the percentage of the export price which is financed.

Our most recent figures indicate that Western Europe and Japan covered about $68 billion of export shipments through official support against about $7 billion of exports shipments covered by Eximbank in calendar 1973. The export credit agencies of England, France, Japan, and Germany alone provided support for eight times as much in shipments as were sup-

ported by Eximbank despite the fact that our economy is somewhat larger than the economies of these four countries combined.

Part of the reason for the difference in the amount of export support is that Eximbank's programs are designed to supplement and complement, rather than compete with private sources of capital. In the U.S. private sources have been willing to finance substantial amounts of short- and medium-term export credit without Eximbank participation. For this reason, the Bank's activity has centered more heavily than its foreign competitors on long-term financing where Eximbank's facilities are particularly necessary to provide appropriate repayment terms and interest rates.

Eximbank continues to place primary reliance on private capital to achieve U.S. export objectives and carefully monitors the activities of foreign export support agencies in order to be sure that U.S. exporters remain competitive with their foreign counterparts.

The Bank must not only look to foreign competition in determining its interest rates but must also look to the cost of its borrowed money. For 10 of the last 14 years and as recently as last year, Eximbank was charging as much or more than the prime rate. Since May 1973 the prime rate has rapidly moved upward. Current rates which are abnormally high hopefully will not persist. It would seem to me to be most unwise for Eximbank to introduce into its own lending rate structure the uncertainty and volatility demonstrated by the prime rate movements in the last year and a half.

Until mid 1973 the Bank's lending rate of 6 percent was equal to or above its average cost of borrowed money. In February 1974, in response to an increase in its average cost the Bank raised its lending rate to 7 percent. In July, the Board of Directors adopted a policy of charging rates on a case-by-case basis within a band ranging from 7 to 8½ percent per annum, most of which recently have been fixed at 8 percent.

Over the years the Bank has been able to compete successfully with foreign competition and still pay an annual $50 million dividend to the Treasury. In setting its interest rate, I believe the Board of Directors of the Bank should continue to keep its eye on both its cost of money and the desirability of maintaining the Bank's earning power and accumulating appropriate reserves. Any rigid requirement that it tie its interest rate to the prime rate would deprive the Bank and our exporters of the ability to compete.

I think all the arguments that have been made in response to the arguments in behalf of the earlier Schweiker amendment apply to this amendment.

Mr. BROCK. Will the Senator yield just for a clarifying point?

Mr. STEVENSON. Yes.

Mr. BROCK. I think it is important to point out to our colleagues that this amendment, for all practical purposes, is identical to the original Schweiker amendment. The intent of it is to preclude any subsequent offering on the part of the Senator from Tennessee. But the practical effect, in terms of the legislation, is to keep the Eximbank from operating in any competitive sense at all, and force them to the highest possible interest rate, even though that interest rate is considerably in excess of their cost of borrowing money.

It effectively precludes the operation of the Bank, and, as the distinguished Senator from Illinois has said, we may as well vote on whether we want an Eximbank, because this amendment, if passed, would preclude any effective operation of Exim credits.

Mr. STEVENSON. The practical effect of this amendment, as in the case of the prior amendment, is to put the Eximbank out of business.

Mr. President, if there is nothing more to be said, I move to lay on the table the substitute amendment by the Senator from Pennsylvania.

The PRESIDING OFFICER. Has all time been yielded back?

Mr. SCHWEIKER. Mr. President, I ask for the yeas and nays on my amendment when this substitute for it is disposed of.

ORDER FOR HALF-HOUR LIMITATION ON ALL AMENDMENTS

Mr. MANSFIELD. Will the Senator withhold that request briefly?

Mr. SCHWEIKER. Yes.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that, with the exception of the Proxmire amendment, there be a half-hour limitation on all amendments, the time to be equally divided on the same basis as before.

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

Mr. BROCK. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BROCK. The Senator asked for the yeas and nays on his original amendment. Is it possible to do that before we dispose of the substitute?

The PRESIDING OFFICER. It is in order.

Mr. BROCK. Without unanimous consent?

The PRESIDING OFFICER. Without unanimous consent.

Is there a sufficient second?

Those who wish to second, please raise their hands.

Mr. PACKWOOD. Was the motion to lay on the table made?

The PRESIDING OFFICER. The motion to lay on the table is not in order until all time is yielded back.

Mr. PACKWOOD. I thought all time had been yielded back.

Mr. STEVENSON. I have yielded back my time, Mr. President.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second. The yeas and nays are ordered.

Has all time been yielded back?

Mr. PACKWOOD. It has now, Mr. President.

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

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment in the nature of a substitute.

Mr. STEVENSON. Mr. President, I move to table the amendment by Senator SCHWEIKER and ask for the yeas and nays.

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. SCHWEIKER. A point of order, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. SCHWEIKER. Does that substitute lay on the table also my original amendment?

The PRESIDING OFFICER. It does not. Only the amendment in the second degree.

Mr. BROCK. Would a motion to lay on the table the original motion be in order?

The PRESIDING OFFICER. The motion to lay on the table the amendment in the first degree is in order.

Mr. BROCK. Mr. President, I move to lay on the table the amendment in the first degree, and I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on the motion to lay on the table the amendment in the first degree, which will carry with it the amendment in the second degree, if agreed to.

Mr. SCHWEIKER. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. SCHWEIKER. Do I correctly understand that the motion to lay on the table is on the original Schweiker amendment and that is the issue we are now about to vote on?

The PRESIDING OFFICER. That is correct, but it should be understood that it will carry with it the amendment in the second degree.

Mr. SCHWEIKER. I thank the Chair.

The PRESIDING OFFICER. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Indiana (Mr. BAYH), the Senator from Texas (Mr. BENTSEN), the Senator from Florida (Mr. CHILES), the Senator from California (Mr. CRANSTON), the Senator from Missouri (Mr. EAGLETON), the Senator from Mississippi (Mr. EASTLAND), the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Minnesota (Mr. MONDALE), and the Senator from New Mexico (Mr. MONTOYA) are necessarily absent.

I further announce that the Senator from West Virginia (Mr. RANDOLPH) is absent on official business.

I further announce that, if present and voting, the Senator from West Virginia (Mr. RANDOLPH) would vote "nay."

Mr. GRIFFIN. I announce that the Senator from Kentucky (Mr. COOK), the Senator from Nebraska (Mr. CURTIS), the Senator from Colorado (Mr. DOMINICK), the Senator from New York (Mr. JAVITS), the Senator from Maryland (Mr. MATHIAS), the Senator from Alaska (Mr. STEVENS), and the Senator from North

Dakota (Mr. YOUNG) are necessarily absent.

The result was announced—yeas 46, nays 37, as follows:

[No. 417 Leg.]

YEAS—46

Aiken	Gurney	Pearson
Baker	Hansen	Pell
Bartlett	Hatfield	Percy
Beall	Hathaway	Scott, Hugh
Bennett	Hruska	Sparkman
Biden	Humphrey	Stafford
Brock	Inouye	Stennis
Brooke	Jackson	Stevenson
Clark	Johnston	Taft
Dole	Kennedy	Talmadge
Domenici	Magnuson	Thurmond
Fannin	McGee	Tower
Fong	Moss	Tunney
Goldwater	Nunn	Williams
Gravel	Packwood	
Griffin	Pastore	

NAYS—37

Abourezk	Ervin	McIntyre
Allen	Hart	Metcalf
Bellmon	Hartke	Metzenbaum
Bible	Haskell	Muskie
Buckley	Helms	Nelson
Burdick	Hollings	Proxmire
Byrd, Harry F., Jr.	Huddleston	Ribicoff
Byrd, Robert C.	Hughes	Roth
Cannon	Long	Schweiker
Case	Mansfield	Scott, William L.
Church	McClellan	Symington
Cotton	McClure	Weicker
	McGovern	

NOT VOTING—17

Bayh	Dominick	Mondale
Bentsen	Eagleton	Montoya
Chiles	Eastland	Randolph
Cook	Fulbright	Stevens
Cranston	Javits	Young
Curtis	Mathias	

So the motion to lay on the table was agreed to.

AMENDMENT NO. 1898

Mr. BELLMON. Mr. President, I have an amendment No. 1898 at the desk, and I ask that it be stated.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk proceeded to read the amendment.

The PRESIDING OFFICER. The Senators will please come to order. Senators will please take their seats.

The Senators will please come to order. Senators will please take their seats.

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

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

The amendment is as follows:

On page 6, line 16, at the end of the sentence after the word "involved.", insert the following: "The President may not determine a transaction subject to the second sentence of this paragraph to be in the national interest if such transaction would or may result in the United States becoming dependent upon any Communist country as so defined for essential materials, articles, or supplies which are or may become in short supply.".

Mr. BELLMON. This is a very simple amendment: it provides that the President may not determine a transaction with a Communist country for over $40 million to be in the national interest if such a transaction would result in the United States becoming dependent upon such a country for essential materials, articles or supplies which are or may become in short supply.

Mr. President, this amendment accomplishes two objectives. First, it clarifies the scope of the national interest determination that the President is required to make pursuant to section 4 of the bill. Second, it will avoid materials shortages by safeguarding the availability to American consumers of scarce resources.

Mr. President, most Americans applaud détente. However, while expanded East-West trade is an important step toward a generation of peace, we must not be so naive as to forget our national interests. This point is well made in the September 23, 1974, issue of U.S. News & World Report, and I ask unanimous consent that the full text of the article be printed in the RECORD.

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

IS UNITED STATES GIVING AWAY TOO MUCH TO RUSSIA?

Americans in rising numbers are growing apprehensive over the steadily expanding export of U.S. advanced technology and industrial know-how to the Soviet Union.

What the critics are charging is that this aspect of détente is giving the Russians significant military and economic gains, while the United States is getting very little—if anything—in return.

In Congress and across the nation, the feeling is widespread that America is giving away the main advantage it still has left over the Communist superpower—technological superiority—and is financing this "giveaway" with loans underwritten by U.S. taxpayers.

One complaint: that acquisition of American "high technology" products such as computers, sophisticated electronic equipment and scientific instruments is adding a new dimension to the Soviet Union's massive program of weapons development.

Another: that American help in building up Soviet industry—in such large enterprises as the Kama River truck-manufacturing project—is easing internal pressures on the Kremlin while laying the groundwork for competition that in the long run could cost American jobs. Details of the Kama River undertaking are on page 72.

Argument for trade. Faced with mounting criticism of the course being taken by U.S.-Soviet trade, Secretary of State Henry A. Kissinger—who with Richard Nixon achieved the "breakthrough" with the Kremlin—maintains that détente, with trade as a key element, is essential to avert the threat of a nuclear holocaust in today's world.

Other officials who support present trade policies argue that U.S. Government safeguards—and the hard-nosed common sense of American businessmen who deal with the Russians—are sufficient to protect this country's technological advantage.

But there is far from a united front even within the Government.

The Defense Department, for example, has frequently protested specific trade deals with Russia and, according to Senator Henry M. Jackson (Dem.), of Washington, has been overruled 59 times on protests against shipments of what it considered to be material of military significance. Nine instances involved U.S. companies; 50 involved non-American companies in Allied nations which belong to the Co-ordinating Committee, formed in 1949 to keep strategic and military items out of Communist hands.

The Pentagon protests led to an amendment, sponsored by Senator Jackson, to the Defense Procurement Act for fiscal year 1975, which was signed into law by President Nixon on August 5—three days before he resigned. The amendment gives the Secretary of Defense a much stronger voice in deciding what military or strategic material must be withheld from the Soviets.

Critics insist that the Jackson amendment should be viewed as only the first step toward a tighter system of export controls.

Among those speaking out on the dangers of technology exports is Robert C. Seamans, Jr., president of the National Academy of Engineering and former Secretary of the Air Force. His views are spelled out in an interview that begins on page 73.

ONE-WAY STREET?

A foreign-policy task force of the Coalition for a Democratic Majority, under the chairmanship of Eugene V. Rostow, former Under Secretary of State, asserts that "the economy of the United States—as distinct from some individual business interests—has little to gain from an expansion of trade with the Soviet Union.

But, the task force declares, "the Soviet Union has a great deal to gain from trade with the United States . . . both to raise the standard of living of its people, and to obtain for its military program some of the advanced technology it has been unable to develop itself—in the field of computers, for example."

George Meany, president of the AFL-CIO, charges that trade with the Russians has turned into "a giveaway program—a welfare program for the Soviet Union."

Mr. Meany and others point out that the Export-Import Bank, which is funded by the U.S. Treasury, has granted since early 1973 loans totaling about 469 million dollars to help finance 15 major contracts between American firms and the Soviet Union.

Production facilities being developed in Russia under these contracts include the Kama River truck complex, ammonia and fertilizer plants with pipelines, tank cars, port facilities and storage at both plants and ports, production lines to pelletize iron-ore waste for use in making steel, and plants and production facilities to turn out flywheels, pistons, clutch valves and machine friction drums.

In addition to contracts with Export-Import Bank financing, there are many more. American exports to Russia, which totaled only 162 million dollars in 1971, more than tripled to 547 million in 1972, and doubled again to nearly 1.2 billion in 1973—when sales of U.S. wheat, corn and soybeans accounted for 860 million.

Co-operation agreements—to which no monetary value has yet been affixed—include:

Lockheed Aircraft—navigation systems, oceanographic apparatus, medical electronics and air-traffic-control systems.

Armco Steel—metallurgical, chemical and oil-field equipment.

Monsanto—computers for use in production of chemical and rubber-compound products.

Control Data Corporation—computer equipment.

International Telephone & Telegraph—telecommunications electronic and electromechanical components, consumer products and scientific and technical data.

Stanford Research Institute—a wide range of scientific, technological and economic activity.

General Dynamics—ships, telecommunications, aircraft and microfilm equipment.

MILITARY TOOLS

The charge is made that much of the American scientific and technical output to which the Russians are gaining access has military applications.

For example, says a congressional source, most of the oscilloscopes—devices which measure the properties of various materials—now in Soviet laboratories are American-made. The source adds: "These are extremely important to high technology with military application."

One area of special concern to those monitoring the flow of U.S. technology to

Russia is "avionics"—the sophisticated items that go into the "black boxes" of missiles and aircraft—lumped, technically, under the name "semiconductors." Included are electronic gear for control and guidance of missiles, electronic countermeasures to protect aircraft, and precise navigational equipment.

A subcommittee headed by Senator Jackson is preparing for hearings on the whole issue of U.S.-Soviet trade.

One allegation due to be sifted by the Senate group is that Soviet scientists, aircraft designers and computer experts are *being given* access to American technological secrets through guided tours and seminars in key industrial plants across the U.S.

Also to be aired are charges that American producers of sensitive technology give away significant information to Soviet negotiators when bidding for contracts. Critics say this "transfer of technology" is made during pre-contract talks which are not adequately controlled. U.S. Government officials maintain that the controls are adequate.

The Jackson subcommittee is investigating complaints that Communist "end use" of sensitive equipment bought from firms in the U.S. and other Allied countries is not sufficiently controlled, or even monitored.

UNWISE SUBSIDIES?

The role of the Export-Import Bank in U.S.-Soviet trade is coming under increasingly sharp criticism. Mr. Meany, for instance, asserts:

"This bank was originally set up to encourage American exports by making loans available to foreign buyers. In this way it was supposed to promote American sales and jobs. But what it is doing now is subsidizing overseas production that will hurt American exports and employment, and one of the prime beneficiaries is the Soviet Union."

The AFL-CIO chief noted that Export-Import Bank loans to the Soviets have been made, for the most part, at 6 per cent interest, with a small proportion at 7 per cent. This, he declared, is "an economic-aid program," not to an undeveloped nation but to a superpower. He added:

"The prime rate in the United States now is 12 per cent. We have been lending hundreds of millions, however, to the Soviet Union at a time when millions of hard-working Americans cannot get mortgage money to buy a home."

Mr. Meany pointed out that one Export-Import Bank loan of 180 million dollars was made to help the Russians produce nitrogen fertilizer. He commented:

"In other words, if we are short of fertilizer, then instead of investing in fertilizer plants at home, we invest in fertilizer plants in the Soviet Union, so they can export and sell fertilizer to us."

Another complaint heard is that the Soviets seek to make use of American expertise in ways that will improve Russia's position in economic competition with the U.S. on a global scale. An example cited:

Maynard Shipbuilding, a division of H. B. Maynard & Company, management consultants, is negotiating with Russia on engineering plans for what is intended to be the largest shipbuilding facility for tankers ever constructed. The project is planned for a site on the shore of the Black Sea.

BAITING A TRAP?

The Coalition for a Democratic Majority hoists a warning signal against the Soviet proposal to export large quantities of oil and natural gas to the United States if America provides the necessary technology and capital. The task force headed by Mr. Rostow declares:

"It would be politically and economically unwise for us to become dependent on significant amounts of energy whose flow could be shut off any day by the Soviets—as it was recently by the Arabs on Soviet prodding."

The task force holds that "there is no need to pay a political price or an economic subsidy" for materials available for export by the Soviet Union.

The argument made is that "the strong Soviet need for dollars and other Western currencies will keep them exporting" their salable commodities.

Also, says the Rostow group, "the Soviet Union will continue to need Western technology, large amounts of capital, equipment and know-how of the widest variety on a large scale so long as its basic policy is to concentrate so much of its resources on military expenditures."

Reinforcing Mr. Meany's arguments, the Rostow task force warns: "The Soviet asquisition of advanced Western technology and large sums of capital may enable them to utilize their tightly controlled and economically exploited labor force to compete unfairly with American labor and business in ways that will adversely affect our entire economy."

IN THE AIR

Senator Jackson has emphasized repeatedly his concern about Soviet moves to make massive use of American know-how in the manufacture of large aircraft. He declared in a Senate speech.

"The Soviets have asked all three of our wide-bodies jet manufacturers to build a large-capacity aircraft-manufacturing complex for the quantity production of wide-bodied transport aircraft.

"This aircraft-manufacturing complex would be more advanced than anything in the United States.

"It would produce in one place everything from the airframe and the engine to the fasteners.

"No such integrated aircraft-manufacturing complex now exists anywhere in the world. The aircraft it would produce would be 60 per cent faster, carry 25 percent more, and fly 20 percent farther than the world's now largest wide-bodied jet, the 747.

"The production rate of this plant would be approximately equal to the total annual production of all three of our wide-bodied jet manufacturers."

U.S. officials vigorously dispute Senator Jackson's statement. They acknowledge that the Russians have been talking with Boeing, Lockheed and McDonnell Douglas about the possibility of building the huge plant. But Government spokesmen say that no license for American participation in such a project has been issued—or is likely to be.

Says an official involved in export controls:

"We tell the companies that the sale of individual airplanes to the Soviets may be all right—but there is no way they will get a license to sell the plants, machinery, training and servicing that would enable the Russians to build these jets themselves."

SENSITIVE FIELDS

Production of computers is another field in which Senator Jackson sees dangers. His contention:

"Recently one of our largest computer companies signed a protocol of intent with the Soviet Union which calls for the joint development of the next generation of large high-speed computers.

"In addition, this protocol calls for the American company to create a plant for manufacturing this new computer and for manufacturing the most modern peripheral devices. This plant, in the usual Soviet style, would be one of the largest in the world.

"This venture, if allowed, would not only create, fullblown, a most serious competitor for our overseas computer sales, but it also would, by moving the Soviets 10 years into the future, enormously upgrade their military potential across the board."

A U.S. Government official's reply: "Even if we licensed such a sale—which we are most unlikely to do—the Russians wouldn't be likely to use these computers for military purposes.

"If you know anything about computers, you know that the people who make them have to keep servicing them. They have to be around all the time—so they know what the computers are being used for. Can you imagine the Russians letting Americans or any other foreigners work on computers they are using for military purposes?"

Still another source of worry to Senator Jackson and those who share his critical views is Soviet interest in integrated circuits, which miniaturize electronic gear of all kinds. They were developed by the U.S. Air Force for its Minuteman missile program.

A committee of the U.S. and its allies, which passes on export of strategic goods to the Communists, permitted France to build an integrated-circuit plant in Poland and to train Polish technicians to operate it.

More recently, according to Senator Jackson, a U.S. firm contracted with a Soviet-bloc country to set up a complete "turnkey" production line to make integrated circuits for hand calculators. The Senator said:

"The production of integrated circuits for hand calculators sounds like an ordinary commercial transaction. But it has implications far beyond that.

"Because the technology lies not in the circuits but in the production line, such a production line, with at most minor changes, can produce almost the entire range of circuits used in military applications."

A CIA ASSESSMENT

The Soviet Union's pressing need for U.S. and other Western technology was stressed in recent congressional testimony by William E. Colby, Director of the Central Intelligence Agency. Russia's "technological gap," he said, "is an across-the-board one, from intercontinental-ballistic-missile systems to electric razors."

The Soviets, Mr. Colby added, thus have a special need to trade more with the United States, "especially for high-technology products." The CIA director added, however, that if trade relations with the U.S. were broken, the Russians "could find most of what they want in Western Europe and Japan."

That latter point, often cited by protrade advocates, carries little weight with critics who maintain that the U.S. is giving too much away in trade deals that narrow the technology gap, help Russia's productivity and bolster its military position.

Mr. BELLMON. Commonsense tells us that we should examine every transaction for the possible impact it might have on the domestic supply of essential materials.

Mr. President, it is one function of the Bank to assist American businesses in the export of their products. Since 1973, the Export-Import Bank has loaned $469 million for 15 major contracts between American firms and the Soviet Union. In fact, American exports to Russia, which totaled only $162 million in 1971, amounted to nearly $1.2 billion in 1973. It is quite clear that in the face of these huge transactions, the President must be empowered to examine the impact that the transactions will have on the availability of scarce resources. For example, the Export-Import Bank loan of $180 million in order to assist the Russians to build a fertilizer plant raises important questions in light of the fertilizer shortage in the United States. If this Nation is deficient in fertilizer, then as a matter of public policy it might be

wiser to utilize funds to build a fertilizer plant in the United States rather than depending upon the Soviet Union to build the plant and sell the fertilizer back to us.

Mr. President, it would be politically and economically unwise for us to engage in a trade policy in which we become dependent on the Soviet Union for important resources.

Mr. President, I urge the Senate to adopt this amendment and protect American businesses from becoming dependent upon foreign sources for essential materials, articles, or supplies which are or may become in short supply.

Mr. President, I ask unanimous consent that the order for the yeas and nays be vacated.

The PRESIDING OFFICER. Without objection, it is so ordered, and the yeas and nays are vacated.

Mr. BELLMON. Mr. President, this amendment is a relatively simple amendment. It simply provides that the President may not determine a transaction subject to the second sentence of this paragraph which is page 6, line 16, to be in the national interest if such transaction would or may result in the United States becoming dependent upon any Communist country as so defined for essential materials, articles, or supplies which are or may become in short supply.

The purpose is simply to avoid our getting into a position we are in already with the Arabs on oil. We want to be careful that we do not allow this country to become dependent on such materials as fertilizer, so that other countries can cut off our supply and use that as a political tool the way the Arabs are using the oil supply.

Mr. President, I have——

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

The PRESIDING OFFICER. The Senators will please take their seats.

Mr. BELLMON. I have discussed this——

The PRESIDING OFFICER. The Senate will please come to order. The Senator from Oklahoma.

Mr. BELLMON. I have discussed the amendment with both the author and the minority member of the committee and I believe they are more or less agreeable to it.

Mr. STEVENSON. I have discussed this amendment with the Senator from Oregon, and we are prepared to accept the amendment offered by the Senator from Oklahoma.

The PRESIDING OFFICER. Has all time been yielded back?

Mr. BELLMON. I yield back the reremainder of my time.

Mr. STEVENSON. I yield back the mainder of my time.

Mr. BELLMON. Mr. President, I ask unanimous consent that the Senator from Kansas (Mr. DOLE) and the Senator from Tennessee (Mr. BROCK) be listed as cosponsors of this amendment.

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

All time having been yielded back, the question is on agreeing to the amendment of the Senator from Oklahoma. [Putting the question.]

The amendment was agreed to.

AMENDMENT NO. 1896

Mr. HELMS. Mr. President, I have an amendment at the desk numbered 1896, and I ask that the clerk state it.

The PRESIDING OFFICER. The clerk will state the amendment.

The assistant legislative clerk read as follows:

On page 6, between lines 16 and 17, insert the following:

Notwithstanding any other provision of law, the Bank in the exercise of its functions shall not guarantee, insure, or extend credit, or participate in any extension of credit to a Communist country (as defined in section 620(f) of the Foreign Assistance Act of 1961) or agency, or national thereof unless the President of the United States finds and shall certify to the Congress of the United States that neither slavery nor involuntary servitude is practiced in that country.

With respect to any such guarantee, insurance, or extension of credit which is the first such transaction with each such Communist country, or agency, or national thereof following the enactment of the Export-Import Bank Amendments of 1974 or the convening of a new session of Congress, such finding and certification shall be made by the President of the United States and reported in writing to the Congress of the United States no less than thirty calendar days prior to the date on which the Bank requests that the transaction become effective.

The PRESIDING OFFICER. Will the Senate please come to order and will the Members of the Senate please take their seats?

The Senator from North Carolina.

Mr. HELMS. Mr. President, I send to the desk a modification which I have discussed with the distinguished manager of the bill and with the distinguished Senator from Oregon and ask that it be reported.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

On page 6, between lines 16 and 17, insert the following:

Notwithstanding any other provision of law, the Bank in the exercise of its functions shall not guarantee, insure, or extend credit, or participate in any extension of credit to any country (as defined in section 620(f) of the Foreign Assistance Act of 1961) or agency, or national thereof unless the President of the United States finds and shall certify to the Congress of the United States that neither slavery nor involuntary servitude is practiced in that country.

With respect to any such guarantee, insurance, or extension of credit which is the first such transaction with each such country, or agency, or national thereof following the enactment of the Export-Import Bank Amendments of 1974 or the convening of a new session of Congress, such finding and certification shall be made by the President of the United States and reported in writing to the Congress of the United States no less than thirty calendar days prior to the date on which the Bank requests that the transaction become effective.

Mr. HELMS. Mr. President, this amendment would prohibit the Export-Import Bank from guaranteeing or extending credit to any country which allows the practice of slavery or involuntary servitude. The bill as reported by the committee would require the President to make a determination in the national interest for loans to Communist countries over $40 million. I support that provision, because large loans by their very size could have a direct bearing upon the national interest. But I believe that we should go further and ban any Exim Bank loans or credits to Communist countries or other countries which practice slavery or involuntary servitude.

There may be some Communist countries which do not have such practices. But no matter what the dollar amount is, we cannot finance the expansion of such economies to any extent. Before the Eximbank could act, the President would have to find that slavery and involuntary servitude did not exist in the country under discussion, and certify so to Congress 30 days before the effective date of the transaction. This would only have to be done for the first transaction after enactment, or after the beginning of a new session of Congress.

It would be optimistic to assume that this amendment would affect the domestic policies of another country; however, it would help to assure that the U.S. Government does not participate in the exploitation and degradation of human beings. We cannot permit an agency of the U.S. Government, in collusion with American businesses and financial institutions, to make an end run around the U.S. Constitution and the principles of freedom which we have legislated for ourselves.

Naturally, it would be gratifying if countries which are guilty of these exploitative practices would ameliorate their domestic conditions in order to qualify for trade deals backed by the Eximbank; the prime purpose of the amendment, however, is to satisfy our own domestic standards of decency and conduct. The amendments address our own conscience. The issue is whether governmental policy should assist the private pursuit of profit based upon human oppression in other lands.

I know that there is a tendency on the part of some to use the word "profit" as a term of indecency. I happen to believe that profit is the legitimate inducement that leads to the maximizing of economic resources so as to raise the standard of living for all. But I also believe that profit must be restrained by standards of common decency, standards which, if not self-erected by the entrepreneur, will inevitably be set by the community. For the most part, we can give the benefit of the doubt to other societies which have a different perception of values and a different historical development. But I think that we can safely draw the line at the use of slave labor, and the denial of elemental rights of free association to its workers.

One could be purely pragmatic, and point out that participation in such oppressive economic practices undercuts the standards of labor in the United States. An economy in which slave labor is an important component can always underbid a free economy. The existence of the camps inhibits the actions of the

ordinary workers and keeps wages and prices down. When workers are not allowed to organize freely, or when their organizations are subverted for the ulterior motives of those in leadership positions, their production undercuts the output of the workers in the United States.

But these arguments I will lay aside.

I simply propose that Congress should go on record in passing this authorization *in support* of the principles of freedom.

We need to do business with the world, but we don't need to do business so desperately that we can deny the principles of our own freedom. The Government of the United States should not lend its faith and credit to proposals that enslave human beings and destroy their freedom.

Mr. President, it is no secret that a prime reason for the major increase in the authorization for the Eximbank is the expansion of trade with the Soviet Union.

Now I know that there are those in this Body who say that they don't like the Soviet Union's domestic policies any more than any other American, but that we must learn to get along with the Soviets in one way or another. Through trade, they say, we will soften those harsh principles, and tie her policies to ours with a network of interconnections so tight that it will not be in the Soviet interest to attack us any longer.

But this reasoning is based upon a fallacy.

The truth of the matter is that trade—and especially the kinds of trade that seem to be under contemplation—will directly increase oppression in the Soviet Union, rather than soften oppression. This judgment is not based upon ideological considerations, but upon the practical requirements of the deals in which we are asked to participate.

Let us look, for example, at the twin gas projects in Siberia, the "North Star" project to exploit the West Siberian fields at Urengoiskoe, and the Yakutsk project in the empty reaches of East Siberia. Both involve extensive drilling and the construction of thousands of miles of pipeline across the permafrost from Urengoiskoe to Murmansk and from Yakutsk to Nahodka.

Now, who will perform these gigantic construction feats where temperatures routinely reach 40° to 50° F. below zero in Arctic steppes where man has never made permanent settlements?

Can anyone name one major project that was ever built in Siberia by the Soviet government without the aid of slave labor? It is a plain fact that the Soviets have never been able to get enough free men to suffer the privations of labor in Siberia. Specialists, technicians, and supervisory personnel can be given special economic inducements; but common laborers have always been supplied through the prison camp system organized by the State Security Administration, the GULAG of which Solzhenitsyn has written so eloquently.

A major expansion of development in Siberia means a major expansion of labor; and a major expansion of labor in turn means new waves of arrests and new prison camps arising, not only at the development sites, but all along the pipeline routes.

Some may say that this is mere speculation and that there is no proof that such camps exist any longer. But such assertions are contrary to everything which we know about the Soviet system, its historical development, and its continued oppression of dissent and fundamental human liberties. Only last year a subcommittee of the Senate Judiciary Committee took extensive testimony from Avraham Shifrin, who is now a citizen of Israel, but spent years in the GULAG system. The three volumes of Shifrin's testimony contains scores of case histories, of which he had personal knowledge, as well as much documentation of current campsites and present prisoners. There can be no doubt that it is still a political crime punishable by a term at slave labor to come from the wrong ethnic group, to profess the right to religious beliefs and practices, or to initiate political activity.

Mr. Shifrin's estimate is that there are still at least 5 million slaves in the work camps. Mr. Solzhenitsyn believes that the camps at their height held 12 million, but that it may be as low as 3 million now. The exact number cannot be set with certitude, but there can be no doubt that slave labor is a fundamental aspect of the Soviet politico-economic system. For, aside from the direct economic impact of the labor itself, the system hangs over every Soviet citizen destroying his incentive to think, and his ability to act on the political level. Thus the existence of the slave labor camps has a depressing effect on the freedom of the so-called free worker as well.

Thus every dollar that Eximbank loans or guarantees is another dollar for wooden labor camp bunks, another dollar for barbed wire stretched across the wintry desert, another dollar for the gruel by which dissidents are kept alive for another 18-hour day.

Not long ago, Eximbank set up a $180 million bank credit in a $400 million deal to supply eight ammonia fertilizer plants, chemical storage facilities, railroad tank cars, and a 1,200-mile pipeline. More recently, it appears that the pipeline may be dropped, with a greater emphasis upon railway transport. It would also involve the construction of new port facilities at Odessa and Ventspils.

Once again we are speaking in terms of slave labor. The railroad involved will be the Baikal-Amur railroad, the so-called BAM railroad, which is the most notorious of all Soviet construction projects. Roughly paralleling the better-known Trans-Siberia Railroad, which hugs the southern frontier with China, the BAM has been under construction across the permafrost off and on since 1952, and has already claimed the lives of at least one-half million slaves from the work camps. Now that the fertilizer deal is approved, construction is being rushed to completion.

Are we to believe that today, after so many have died over the years, the BAM railroad is being constructed by "volunteers"? And can anyone be really sure how the Kama River automobile plant is being constructed in a territory spotted with labor camps?

Solzehnitsyn's Gulag gives a brilliant exposition of the way in which unfortunates are volunteered for such work, and the kind of "due process" by which they are sentenced to slow death.

The U.S. economy is not so bad that we need to earn foreign exchange by building death camps, or warm ourselves with natural gas provided by those who conveniently froze to death in its production. If the U.S. Government is going to back such projects officially through the Eximbank, the least that Congress can do is to insure that minimum standards of human decency are observed. The language of my amendment is simply that of the U.S. Constitution. Whenever credits or loans are guaranteed, insured, or extended, Congress must determine that the country involved does not practice slavery or involuntary servitude therein.

This is essentially a political determination, and it ought to be made by a politically responsible organ. The Eximbank's decisions should be made strictly on a business basis. The Bank, with all due respect to the abilities of its administrators, is simply not in a position to make political determinations. It has no resources, and no expertise to make evaluations in the field of human rights. In this field, Congress should lay down the guidelines in the enabling legislation, and the President should make the determination. My amendment provides for this process.

Mr. President, the material documenting the existence of slave labor camps for political and religious dissenters is so voluminous that it would be inappropriate to insert it all in the RECORD at this time. I have selected three items, however, that tell the tale, from Senate documents published with the Schifrin testimony by the Internal Security Subcommittee. The first is a list of nearly 100 slave labor camps in the Soviet Union, with their location and addresses; the second is an account of the trial of Baptist leaders in the Soviet Union; and the third is a partial list of Jewish prisoners of conscience held in such labor camps. These lists are illustrative only.

Mr. President, I ask unanimous consent that these materials be printed in the RECORD at the conclusion of my remarks.

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

APPENDIX

I. PARTIAL LIST OF SOVIET CONCENTRATION CAMPS

[Source: *Posev*, Mar. 1969, p. 3–4]

Location and address	
Abkhazskaya ASSR, Gal'skiy rayon, s. Sida	P/ya 123/35
Alma-Atinskaya oblast, st. Chemolgan	P/ya 154/9 "Zh"
Altayskiy, Barnaul 23	P/ya UB 14/1
Altayskiy, Barnaul 37	P/ya UB 14/12–2
Altayskiy kray, Barnaul, pos. Krusta	P/ya UB 14/3**
Altayskiy kray, Zimeinogorsk	P/ya UB 14/10**
Altayskiy kray, Novoaltaysk	P/ya UB 14/1
Altayskiy kray, Novoaltaysk	P/ya UB 14/4
Altayskiy kray, Novoaltaysk	P/ya UB 14/8
Altayskiy kray, Rubtsovsk 9	P/ya UB 14/9
Arkhangel'skaya oblast, st. Ertsevo	P/ya 233/3**
Burkharskaya oblast, Navoi	P/ya 64/29 "M"
Vibebskaya oblast, Novo-Polotsk	P/ya UZh 15/10 "I"
Vitebskaya oblast, Orsha	P/ya UZh 15/6 "B"**
Vitebskaya oblast, Orsha	P/ya UZh 15/2 "B"
Vitebskaya oblast, Orsha	P/ya UZh 15/12
Vitebskaya oblast, Orsha	P/ya UZh 15/12–1
Vitebskaya oblast, Orsha	P/ya UZh 15/12—"E"
Vitebskaya oblast, Orsha	P/ya UZh 15/12—"Zh"
Gorkovskaya oblast, Gorkiy 28	P/ya UZ 62/5 "E"
Gorkovskaya oblast, Dzerzhinsk	P/ya UZ 62/9 "B"
Gorkovskaya oblast, st. Sukhobezvodnoye	P/ya UZ 62/3**
Grodnenskaya oblast, Volkovysk	P/ya UZh 15/11
Dnepropetrovskaya oblast, Zheltye Vody	P/ya YaE 308/26
Dnepropetrovskaya oblast, Solonyanskiy rayon, St. Privol'noye	P/ya YaE 308/21
Donetskaya oblast, Shaktersk	P/ya Yu 312/57, d 5/13
Zaporozhskaya oblast, Berdyansk	P/ya YaYa 310/20a
Zaporozhskaya oblast, Berdyansk	P/ya YaYa 310/77 otr. 7
Ivano-Frankovskaya oblast, Kolomyyskiy rayon, s. Tovmachik	P/ya YaA 128/41–4
Kabardino-Balkarsk, ASSR, Nal'chik, Gazovay Str	P/ya OL 49/1*
Karagandinskaya oblast, p/o Dolinskoe	P/ya 154/40**
Kemerovskaya oblast, Kemerovo	P/ya 16/12/5**
Kemerovskaya oblast, Kemerovo	P/ya 49–39/1**
Kievskaya oblast, st. Belichi, p/o Kotsyubinskoe	P/ya 128/75
Kievaskaya oblast, Borispol'skiy rayon, s. Martusovka	P/ya YaA (No. unknown)
Kirgizovskaya SSR, Frunze, pos. Kainda	P/ya 36/1 "P"
Kirgizovskaya SSR, Frunze, sovkhoz Prigorodnyy	P/ya 36/1 "P"
Kirgizovskaya SSR, Frunze, sovkhoz Prigorodnyy	P/ya 36/12–3*
Kirgizovskaya SSR, Frunze, sovkhoz Prigorodnyy	P/ya 36/12–9*
Kirgizovskaya SSR, Frunze, sovkhoz "Prigorodnyy"	P/ya 36/12–6
Kirgizovskaya SSR, Frunze 9	P/ya 36/12–8*
Kirgizovskaya SSR, Kirovskiy rayon, Kirovo	P/ya 36/6
Kirovskaya oblast, Verkhnekamskiy rayon	P/ya 231/23
Kirovskaya oblast, Verkhnekamskiy rayon	P/ya 231/25
Komi ASSR Mikun', p/o Vevhayka	P/ya 400/4–II
Komi ASSR, Knyazhpogostskiy rayon, st. Veslyana, p/o Zaimka	P/ya 248/3–5*
Krasnodarskiy kray, Abinskiy rayon, pos. Novosadovyy	P/ya 68/1 "A"**
Krasnodarskiy kray, Krasnodar	P/ya 68/6 "I"**
Krasnodarskiy kray, Ust'-Labinsk	P/ya 68/3
Krasnodarskiy kray, Primorsko-Akhtarskiy rayon, st. Ol'shinskaya	P/ya 68/12
Krasnodarskiy kray, Primorsko-Akhtarskiy rayon, st. Ol'shinskaya	P/ya 68/12/9
Krasnodarskiy kray, Kurganinskiy rayon, pos. Pervomayskiy	P/ya UO–68/19
Kurskaya oblast, Kursk	P/ya OK 30/1 "I"
Kurskaya oblast, Kursk	P/ya OK 30/1 "D"
Kurskaya oblast, Kursk	P/ya OK 30/1 "E"
Mariyskaya ASSR. p/o Mar'ino	P/ya OSh 25/1
Minskaya oblast, Minsk 47	P/ya UZh 15/7–1
Minskaya oblast, Minsk	P/ya 35/6*
Mogilevskaya oblast, Bobruysk	P/ya UZh 15/2
Mogilevskaya oblast, Bobruysk	P/ya UZh 15/2 "A"
Mogilevskaya oblast, Gorki	P/ya UZh 15/9–6*
Mogilevskaya oblast, Mogilev	P/ya UZh 15/15
Mordovskaya ASSR, p/o Yavas	P/ya ZhZh 385/17–7*
Mordovskaya ASSR, st. Pot-ma, p/o Yavas	P/ya 385/2
Mordovskaya ASSR, st. Pot'ma	P/ya 385/5
Mordovskaya ASSR, st. Pot'ma	P/ya 385/7**
Mordovskaya ASSR, st. Pot ma	P/ya 385/17
Nikolayevskaya oblast, p/o N. Grigorovka	P/ya YaA 128/53
Odesskaya oblast, Odessa	P/ya YuG 311/74
Omskaya oblast, Omsk	P/ya UKh 16/3 "A"**
Omskaya oblast, Omsk 29	P/ya UKh 16/3 "N"**
Orlovskaya oblast, Kromskiy rayon, s. Shakhovo	P/ya 22/3
Pavlodarskaya oblast, Pavlodar–12	P/ya 154/25
Pavlodarskaya oblast, Ekibastuz	P/ya 154/53 "D"
Pavlodarskaya oblast, Kizel, p/o Talyy	P/ya 201–10 "A"
Permskaya oblast, Kungur	P/ya 389/18–4
Poltavskaya oblast, s. Kustolovo-Sukhodolka	P/ya YaA 128/9
Pskovskaya oblast, Sebezhskiy rayon, pos. Kuritsa	YaYa 61/3 "V"
Rovenskaya oblast, s. Rafelovka	YaYa 128/76 st. 5
Rostovskaya oblast, Sal'skiy rayon, p/o Yulovskoye	YaYa 398/3
Rostovskaya oblast, Matveevo-Kurbanskiy rayon, pos. Novykovka	YaYa 398/5
Rostovskaya oblast, Aksayskiy rayon, p/o Grushevskoye	YaYa 398/6 "B"
Rostovskaya oblast, Aksayskiy rayon, p/o Grushevskoye	YaYa 398/6 "V"
Rostovskaya oblast, Shakhty 19	YaYa 398–9–1 **
Ryazanskaya oblast, st. Sten'kina	YaYa 25/6
Sverdlovkaya oblast oblast, Nizhniy Tagil	P/ya UShCh 349/6 E–12
Tashkentskaya oblast, Tashkent 5	P/ya UShCh 64/7
Kharkovskaya oblast, Kharkov 35	P/ya UShCh YuZh 313/54–5
Khersonskaya oblast, Kherson	P/ya UShCh YuZ 17/61–4*
Chelyabinskaya oblast, Chelyabinsk 51	P/yu UShCh YaV 48/5
Chelabinskaya oblast, Satkinskiy rayon, Bakal	P/ya UShCh YaV 48–9–5
Chelyabinskaya oblast, Katav-Ivanovsk	P/ya UShCh YaV 48–12–7
Chitinskaya oblast, Karymskiy rayon p/o Tyrgetuy	P/ya UShCh 14/2
Chuvashskaya ASSR, Alatyr	P/ya UShCh YuL 34/2 "A"
Chuvashskaya ASSR, pos. Kozlovka	P/ya UShCh YuL 34/5 "A"
Chuvashskaya ASSR, pos. Kozlovka	P/ya UShCh YuL 34/5 "V"
Chuvashskaya ASSR, pos. Kozlovka	P/ya UShCh YuL 34/5 "G"

NOTE. One asterisk denotes intensified regime camps, two asterisks denote strict regime camps. In addressing mail these asterisks should not be used.

PERSECUTION OF THE JEWS

REPRESSION OF THE JEWS IN THE SOVIET UNION

(Edited by Louis Rosenblum, Union of Councils for Soviet Jews)

INTRODUCTION

The Jewish minority in the USSR is subjected to singularly repressive treatment. Special prohibitions are placed upon Jewish education, religious observance, and culture. Discrimination is practiced against Jews in employment and schooling. Anti-Semitism is inflamed by a stream of news articles, books, and cartoons from the government press. As a consequence, an estimated ¼ million Jews have sought permission to leave the Soviet Union. Most desire to reunite with families in Israel.

All but a small number of the applications have been denied, in spite of the fact that the demands to emigrate are legitimate and in keeping with Soviet Constitution, law, practice, and international treaty. The record shows that the Soviet government has allowed the reunion of families and has indeed supported the repatriation of entire ethnic groups living in the USSR, e.g., several thousand Spaniards, 1956–60 and 200,000 Poles, 1957–8. Additionally, the Presidium of the Supreme Soviet on January 22, 1969 ratified the International Convention on the Elimination of Racial Discrimination. Article 5, paragraph d, subsection 2 of the Convention provides that each contracting party to the treaty "guarantees the right of everyone to leave any country, including his own, and to return to his country."

To check the growing "exodus" movement the Soviet government has resorted to three major strategems: 'silence' vocal dissidents by letting them leave; discourage application for emigration by intensifying the financial and procedural requirements; and repress Jewish national feeling by arrest of persons possessing Jewish history or Hebrew language books on criminal charges of anti-Soviet activities.

The present wave of repression began with the arrest of Boris Kochubyevsky in Dec. 1968 and his trial in May 1969. Following this came the secret trial in Riazan, Feb. 1970, the infamous Leningrad hi-jacking trial of Dec. 1970, and the recent trials in Riga, Leningrad, Kishinev, Odessa, Sverdlovsk, Kharkov, and Chernovitz. In general, those arrested have been charged with "political crimes" under RSFSR Criminal Code Statute 70 (anti-Soviet propaganda) and Statute 72 (anti-Soviet organization). In *addition*, defendants in the Leningrad hijacking trial were charged with treason and theft of government property. Sentences up to 15 years in *strict* or *special* regime labor camps were meted out.

STRICT REGIME

"they condemn you to an empty belly"

Reproduced below is a brief sketch of the strict regime from *My Testimony*, E. P. Dutton and Co., New York, 1969 pp. 224–7.

"Well, and what about a prisoner's rights? There is his right to correspond (with limitations and censorship). His right to have visits from relatives. His right to buy up to five rubles' worth of food in the camp shop, though only with money earned inside the camp. If he has nothing left after deductions have been made—too bad, he can make do without, even if his relatives are prepared to send money. Not on sale in the camp shop and forbidden because of the regime regulations are: sugar, butter, tinned meat and fish, bread. All you can buy is tinned vegetables or fruit (hardly anybody buys these because they are too dear, they take your whole five rubles), cheap tobacco, toothbrushes, envelopes, notebooks, and you can buy camp clothing if you like—not that anybody does on five rubles a month.

"But these rights are no better than a dream, a mirage. Admin (the camp authorities) has the right to deprive a prisoner of all of them. This is done for violations, and who can say that he commits no violations—if Admin wants to find some? And so they take away your rights—to the shop for instance, for a month, two months, three. And then you have to get by on "basic"—on camp rations that have been worked out on scientific principles to be just enough to keep you from dying off.

"The daily norm is 2,400 calories: 25 ozs. of bread, 3 ozs. of cod, 2 ozs. of meat (the sheepdog guarding the cons gets 1 lb.), 1 lb. of vegetable—potatoes and cabbage, about 1 oz. of meal or noodles, ¾ oz. of fat and ½ oz. of sugar. And that's all. It adds up to one and a half times less than a normal man needs on light work. You will say: What about the shop? But then they deprive you of the shop? Keeping strictly to all the rules and regulations they condemn you to an empty belly!

"But anyway, not even all of this finds its way into the prisoner's bowl. A cart, for instance, comes into the compound carrying meat for the whole camp, 300 lbs. for three thousand men. You look at this meat and you know what to think: is it carrion, or something still worse? All blue, it seems to consist entirely of bone and gristle. Then it goes to be stewed and you're lucky if half an ounce finds its way into your mouth.

You are eating cabbage and you can't make out to begin with what it is: some sort of black, slimy, stinking globs. How much out of the established quota gets thrown on the rubbish heap? And in spring and summer the cookhouse hands can't even bring themselves to throw out the bad potatoes any more, otherwise there would be nothing to put in the soup. And so they throw in the black and rotten ones. If you go near the cookhouse in summer the stench turns you over. Stinking cod, rotten cabbage. The bread is like we had in the war. In number seven we had a bakery in which we baked two kinds of bread, black for camp, white for outside. Sugar, though you would think was foolproof. It won't rot, you don't have to measure it. But then they give it to you damp so that it weighs more. And they give you ten days' ration at a time—5 ozs.—because if they give you your 1 oz. daily, it wouldn't be a question of having nothing to eat as of nothing to see.

"During six years in camp and jail I had bread with butter twice—when I received visits. I also ate two cucumbers—one in 1964 and another in 1966. Not once did I eat a tomato or an apple. All this was forbidden . . .

"And that is what strict regime looks like today. Soviet regime, for the most part, is for political prisoners, because among criminals only the persistent offenders get put on strict regime, or those who commit a crime or a violation already in the camps, and even then not for their whole term—they do a stint on strict regime and then go back to normal regime again. For criminals and civil prisoners strict regime is the harshest form of punishment. But for us politicals it is the mildest, our imprisonment begins with this, because it is the minimum awarded by the courts. From strict regime political prisoners can go only to special regime or to the clink. And that is even worse.

PRISONERS OF CONSCIENCE

Presently, more than 40 victims of show trials, staged to repress the growth of Jewish national feeling, are serving sentences in strict and special regime labor camps. Many of these unfortunate people are in need of medical care for serious ailments. All are in physically weak condition as a result of the extended interrogation and imprisonment between the time of their arrest and trial and as a result of the semi-starvation diet in the labor camps.

Brief sketches of several of these prisoners of conscience follow.

PRISONERS OF CONSCIENCE

Name	Born	From	Status	Occupation	Arrested	Trial	Sentence (strict regime unless otherwise noted)
Kochubyevsky, Boris	1936	Kiev	Married (1)	Engineer	December 1968	May 16, 1969	3 years.
Ontman, Liliya	1937	Chernovitz	do		Jan. 8, 1970		2½ years.
Dzhindzikhashvili, Avraham	1941	Tbilisi			June 1970		
Dzhanashvili, Benjamin	1923	do			do		
Vudka, Yuri [1]	1947	Riazan		Student		Feb. 10–19, 1970	7 years.
Grilius, Shymeon [1]	1945	Klaipeda		Engineer	August 1969	do	5 years.
Vudka, Valeri	1950	Riazan		Student		do	3 years.
Jrolov, Oleg		do		do		do	5 years.
Dymshits, Mark	1927	Leningrad	Married	Pilot	June 15, 1970	Dec. 15, 1970	Death, commuted to 15 years.
Altman, Anatoly	1942	Riga	Bachelor	Engraver	do	do	12 years, reduced to 10 years.
Zalmanson, Izia	1949	do	do	Student	do	do	8 years.
Zalmanson, Wolf [1]	1939	do	do	Officer, engineer	do	Jan. 7, 1971	10 years.
Khnokh, Leib [1]	1944	do	Married		do	Dec. 15, 1970	13 years, reduced to 10 years.
Mendelovich, Iosif [1]	1947	do	Bachelor	Student	do	do	15 years, reduced to 12 years.
Penson, Boris [1]	1946	do	do	Artist	do	do	10 years.
Zalmanson, Sylva [1]	1944	do	Married	Engineer	do	do	Do.
Kuznetsov, Eduard [1]	1941	do	do	Interpreter	do	do	Death, commuted to 15 years, special regime.
Fedorov, Yuri [1]	1944		do	Worker	do	do	15 years, special regime.
Murzhenko, Aleksey [1]	1943			do	do	do	14 years, special regime.
Mogilever, Vladimir	1940	Leningrad	Married (1)	Engineer	do	Mar. 11, 1971	4 years.
Kaminsky, Lassal	1930	do	Married (2)	do	do	do	5 years.
Chernoglaz, David	1940	do	Married (1)	Agronomist	do	June 21, 1971	Do.
Butman, Hillel	1933	do	do	Engineer	do	May 11, 1971	10 years.
Kornblit, Lev	1922	do	do	Mathematician	do	do	3 years.
Yagman, Lev	1940	do	Married (2)	Engineer	do	do	5 years.
Drezner, Shlomo	1932	do	Married (1)	do	do	do	3 years.
Goldfeld, Anatoly	1946	do	Bachelor	do	do	June 21, 1971	4 years.
Boguslavsky, Viktor	1940	do	do	do	do	May 11, 1971	3 years.
Bodnya, Mendel	1937	Riga	Married	Worker	7, 1970	Dec. 15, 1970	4 years.
Galperin, Aleksander	1946	Kishinev		Engineer	July 24, 1970	June 21, 1971	2½ years.
Maftser, Boris	1947	Riga	Married		Aug. 4, 1970	Mar. 24, 1971	1 year.
Shpilberg, Arkady	1938	do	Married (2)		do	do	3 years.
Shur, Hillel	1936	Leningrad		Engineer	Aug. 5, 1970	June 21, 1971	2 years.
Kirshner, Harry	1946	Kishinev			August 1970	do	Do.
Volashin, Arkady	1946	do			do	do	Do.
Rabinovich, David	1947	do		Technician	do	do	1 year.
Trakhtenberg, Avraham	1947	do			do	Feb. 21, 1971	2 years.
Aleksandrovich, Ruth [1]	1947	Riga	Married	Nurse	Oct. 7, 1970	May 24, 1971	1 year.
Shepshelovich, Mikhail	1943	do	Bachelor	Worker	Oct. 16, 1970	do	2 years.
Shtilbans, Viktor	1947	Leningrad		Physician	November 1970	May 11, 1971	1 year.
Kornblit, Mikhael	1937	do		Stomatologist	do	do	7 years.
Borisov, Igor	1942	do	Married		do	Dec. 23, 1970	
Levit, Semyon	1947	Kishinev	do	Physicist	Nov. 17, 1970	June 21, 1971	2 years.
Palatnik, Raiza [1]	1936	Odessa	do	Librarian	December 1970	June 22, 1971	Do.
Renert, Khaim	1921	Chernovits		Physician	March 1971		5 years.
Kukui, Valeri	1938	Sverdlovsk	Married (1)	Engineer	do	June 15, 1971	3 years.

[1] Sketch of prisoner presented herein.

ALEXANDROVICH, RUTA ISAACOVNA

Twenty-three years old, born in Latvia, Jewish, student nurse, single. Applied on several occasions with her father, mother, and younger brother for repatriation to Israel. Repeatedly refused. Arrested October 7, 1970, Riga. Charged in accordance with Latvian SSR Statute 65 (RSFSR equivalent—Statute 70) anti-Soviet propaganda. Sentenced May 27, 1971, to one year strict regime. She is due for release in October, 1971. [Now released in Israel]

According to Dr. V. Portnoy, the prisoner's former personal physician presently residing at Ulpan Etsim, Jerusalem, Israel, Miss Alexandrovich suffers from an asthmatic condition and "exacerbation of chronic pyelonephritis."

The latest information on Miss Alexandrovich is as of the last week in July. Her father Isaac Alexandrovich visited Ruth in the camp. He said that Ruth and Sylvia Zalmanson are in the same barracks and both girls work in a factory making canvas gloves with fur lining. But since neither can produce the high production "norm" required, they receive only one-half the food ration.

Relatives: Isaac Alexandrovich, father, Riga, Latvian SSR, USSR Suvorova 16, Kv. 120.

Rivka Alexandrovich, mother, Ein Tzurin 201-03 Talpiot, Jerusalem, Israel.

FEDOROV, YURY PAVLOVICH

Twenty-seven years old, Russian. Convicted and sentenced when he was 17 years old for anti-Soviet views. After his prison sentence his health was poor. He was kept under surveillance by the KGB (secret police) which made him extremely nervous and fearful. Arrested with eleven others in connection with alleged "hi-jacking" attempt in Leningrad, charged in accordance with RSFSR Statutes 64–15 (treason—to flee abroad) and 93–15 (theft of government property). Sentenced to 15 years special regime, without confiscation of property, in absence of such.

Relative: N. V. Buzyreva, wife, Moscow, USSR, Serfinisovicha 2, Kv. 167.

GRILLUS, SIMONAS ARONOVICH

Twenty-six years old, Jewish. Engineer, worked on ship repairs in the Lithuanian harbor town of Klaiperdea. He was arrested in August, 1969, after a search of his apartment revealed possession of books for studying Hebrew and records of Hebrew songs. Charged in accordance with RSFSR Statute 70 (anti-Soviet propaganda) and Statute 72 (anti-Soviet organization). Tried by a secret tribunal. Sentenced February 19, 1970, to five years strict regime.

Earlier this year Grillus was deprived of the right to receive parcels and was put into solitary confinement for 15 days for refusing to take off his *kipa* (skull cap) on Saturdays and other religious holidays.

KHNOKH, LEIB GIRSHEVICH

Born in 1944 in Insar, Mordovskaja ASSR, Jewish. After the war moved to Varaklyany, Latvian SSR. After completing seven years at school, entered the Railway Technical Institute in Daugavpils. Worked as an electrician. In 1965 was called up to the Army but a few months later was declared unfit for military service because of a chronic dislocation of the shoulder. In 1969 he requested permission to leave for Israel but was refused. Married Mary Mendelevich in 1970. Repeatedly signed individual and group appeals to various Soviet and foreign organizations requesting help in leaving for Israel. Arrested with eleven others June 15, 1970, in connection with alleged "hi-jacking" attempt in Leningrad. Charged in accordance with RSFSR Statutes 64–15 (treason—to flee abroad), 93–15 (theft of government property) and Statutes 70 and 72 (anti-Soviet acts). Sentenced on December 25, 1970, to 13 years strict regime without confiscation of property, in absence of such. Reduced on December 30, 1970, by the Supreme Court of the RSFSR to 10 years strict regime.

Relatives: P. B. Khnokh, brother, Daugavpils, Latvian SSR, USSR Virsku 48, Kv. 100.

KUZNETSOV, EDUARD SAMUILOVICH

Twenty-nine years old, born of a Russian mother and a Jewish father, his internal passport states he is Russian but he considers himself to be a Jew. Studied at the philosophy faculty of Moscow University. Spent seven years in prison on charge of anti-Soviet activities. Deprived of right to live in Moscow, Leningrad, and other large cities. Became aware of being a Jew while in prison and talked about his dream to live in a Jewish state. Worked as an English-Russian interpreter in the Riga psychiatric hospital. Married Sylva Zalmanson in 1970. Arrested with eleven others in connection with alleged "hi-jacking" attempt in Leningrad, charged in accordance with RSFSR Statutes 64–15 (treason—to flee abroad) and 93–15 (theft of government property) and Statutes 70 and 72 (anti-Soviet activities). Sentenced to death, without confiscation of property, in the absence of such. Commuted on December 30, 1970, by the Supreme Court of the RSFSR to 12 years strict regime.

MENDELEVICH, IOSIF MOZUSOVICH

Born in 1947, Jewish. His father sells newspapers. His mother died tragically in 1969[?]. After graduating from school in 1965, entered the Riga Polytechnic. In 1968, applied together with his relatives to leave for Israel, but was refused. In 1969 left the Institute, considering that his being a student there could be an obstacle to the granting of permission to leave for Israel. In 1970, requested permission and was again refused. He has signed various appeals to Soviet and foreign organizations for permission to leave for Israel. In 1970, two weeks after receiving a *Kharakteristika,* a character reference, for the OVIR (Office of Visas and Registration), he was dismissed from work under the pretext of redundancy. Arrested with eleven others June 15, 1970, in connection with alleged "hijacking" attempt in Leningrad, charged in accordance with RSFSR Statutes 64–15 (treason—to flee aboard), 93–15 (theft of government property) and Statutes 70 and 72 (anti-Soviet acts). Sentenced December 25, 1970 to 15 years strict regime, without confiscation of property, in the absence of such. Reduced on December 30, 1970, by the Supreme Court of the RSFSR to 12 years strict regime.

Relatives: M. A. Mendelevich, father and E. M. Mendelevich, sister Riga, Latvian SSR, USSR, Kirova 18, Kv. 3

MURZHENKO, ALEKSEY

Twenty-eight years old, Ukrainian. Convicted at age 19 for anti-Stalin utterances and served 6 years in a prison camp for political prisoners. Has command of five languages. Twice after he served his term of imprisonment he tried to enter an institute of higher education but both times he was not admitted although he passed a competitive exam. He was told that with his past he 'cannot count on becoming a translator.' Recently Murzhenko worked in a factory at Lozovaya station and was elected chairman of the local trade union committee. Arrested with eleven others in connection with alleged "hi-jacking" attempt in Leningrad, charged in accordance with RSFSR Statutes 64–15 (treason—to flee abroad) and 93–15 (theft of government property). Sentenced to 14 years special regime, without confiscation of property, none being owned.

PALATNIK, RAIZA ANATOLYEVNA

Age 35, Jewish, worked in Odessa as a librarian. Shortly after she had written to Israel requesting that her relatives there be located, a search of her apartment was made on October 14, 1970, by the KGB (secret police), and followed by a 4-hour interrogation on October 15. Interrogation and searches continued until her arrest on December 1. Charged under paragraph 187/1 Ukrainian Criminal Code with slandering the Soviet Union. Sentenced June 24, 1971 to two years.

In August 1971, Yekatrina Palatnik, Raiza Palatnik's sister, sent a letter to the International Red Cross and to the Red Cross of Russia describing the deterioration of Raiza's health and asking them to intercede.

"A short while ago when I visited my sister in prison I was shocked that the state of Raiza's health is now worse than it was before her detention. In July Raiza had a heart attack that left her left hand paralyzed. She had become very thin from undernourishment. It is stifling and hot in her cell and the sanitary conditions are very difficult. Raiza is very ill now as a result of 8 months detention under difficult conditions. Before she was sent to prison she was healthy. Please use your influence on the prison authorities in Odessa to improve the nourishment given to Raiza and her living conditions."

The latest address available is an Odessa prison, Odessa, Ukrainian SSR, USSR, GSP 514 PYA YUG 311/192.

Relative: Sister, Katia Palatnik, Odessa, Ukrainian SSR, USSR, Yakir 23, Kv. 3. [Raiza Palatnik arrived in Israel in December 1972.]

PENSON, BORIS

Aged about 25, Jewish, worked in Riga as an artist in advertising. Did a great deal of painting independently, has a series of works which have never been exhibited because he is not a member of the Union of Artists. In 1969 requested permission to leave for Israel with relatives (elderly parents) but permission was refused. Arrested with eleven others on June 15, 1970 in connection with alleged "hi-jacking" attempt in Leningrad. Charged in accordance with RSFSR statutes 64–15 (treason—to flee abroad) and 93–15 (theft of government property). Sentenced December 25, 1970 to ten years strict regime with confiscation of property, i.e., his paintings. He is presently in a labor camp for political prisoners in the Potma area.

VUDKA, YURY Z.

Twenty-four years old, Jewish. Student at Riazan Institute of Radio Technology. Applied to emigrate to Israel. Arrested in August, 1969. Charged in accordance with RSFSR Statute 70 (anti-Soviet propaganda) and Statute 72 (anti-Soviet organization). Tried by a secret tribunal. Sentenced February 19, 1970, to 7 years strict regime.

ZALMANSON, VOLF IOSIFOVICH

Born November 2, 1939 in Riga, Jewish. In 1962 graduated from the Riga Agricultural Academy, becoming a mechanical engineer. Worked as such in Riga up to 1968. Called up into the Army in 1968: this was an obstacle in his application to leave for Israel. Served as a lieutenant in Kaunas, Lithuanian SSR. Arrested with eleven others on June 15, 1970, in connection with alleged "hi-jacking" attempt in Leningrad. Tried separately by a military court under articles of the criminal code covering treason by flight abroad, theft of state property, and military desertion. Sentenced January 8, 1971, to ten years strict regime.

Relatives: I. V. Zalmanson, father and Z. I. Zalmanson, brother, Riga, Latvian SSR, USSR, Veidenbaum 45, Kv. 22.

ZALMANSON, SYLVIA IOSFOVNA

Born October 25, 1944 in Siberia, Jewish. In 1968 graduated from the Riga Polytechnical Institute, becoming a mechanical engineer. Worked as a designer at the "Sarkana Zvaigzne" factory in Riga. In 1968 tried in vain to obtain permission to leave for Israel. Appealed to Soviet and foreign organizations. In 1970 married Kuznetsov, Eduard Samuilovitch. In 1970, was deprived of the possibility to appeal again for permission to leave for

Israel as the management of her factory refused to give her a personal reference.

Arrested with eleven others on June 15, 1970, in connection with alleged "hijacking" attempt in Leningrad. Charged in accordance with RSFSR Statutes 64–15 (treason—to flee abroad), 93–15 (theft of government property), 70 (anti-Soviet propaganda), and 72 (anti-Soviet organization). Sentenced December 25, 1970, to ten years strict regime without confiscation of property, in absence of such.

Sylvia has suffered a severe loss of hearing in prison and is likely to go deaf. Her general *physical* condition is very poor. See letter from her uncle, reproduced below. Address: Mordovskaja ASSR, USSR, St. Potma, Posiolok Yavas, Uchrezdenie ZK X 385.

Relatives: I. V. Zalmanson, father and Z. I. Zalmanson, brother Riga, Latvian SSR, USSR, Veidenbaum 45, Kv. 22.

BAPTIST TRIAL IN ODESSA, FEBRUARY 2–7, 1967

["Russian Christians on Trial: Eye Witness Report From a Soviet Courtroom," Published by "Jesus to the Communist World," Diane Books, Glendale, Calif. 1971]

The trial was due to take place at 10 a.m. on 2 February in the club of the mill combine. Its location was altered 24 hours beforehand without any reason being given. Representatives were summoned from a number of places, mainly Party officials and prominent workers, and given leave from work to attend.

By 10 a.m. about 100 believers had assembled, by which time the courtroom was already full of Party workers. Numerous police and the security (KGB) agents were standing outside the building where the trial was to be held. Not only did they prevent the believers from getting into the courtroom, they even stopped them standing outside the building. They chased them some distance away from the clubhouse, round the corner, threatening them with fines and 15 days' imprisonment. Many friends did not go away, but stood at a distance, despite the intense cold.

They let only the defendants' nearest relatives through, claiming that there was no more room in the court.

The defendants N. P. Shevchenko, Ya. N. Krivoi, S. P. Solovyova and V. I. Alexeeva, who had already been in custody for some considerable time, were brought into the courtroom. Then further defendants who had been bound over not to leave the town, G. G. Borushko, V. T. Timchak and V. M. Zaborsky, came in.

The members of the court entered and the trial was officially opened. A representative of the police called out (addressing himself to the rest of the court) "Rise!" The defendants took their places, N. P. Shevchenko and V. Alexeeva knelt down and the former prayed aloud. Everyone present stood speechless with surprise.

Then there was a murmur throughout the room and you could hear people say: "They're praying!" Three policemen went up to them and made Valya get up, but Nikolai went on praying and when he finished, all the defendants and other believers said "Amen". The defendants were taken out of the courtroom straight away and brought back a little while later.

The court noted the following personal deails of the defendants:

Shevchenko, Nikolai Pavlovich, born 1913.

Krivoi, Yakov Nikiforovich, born 19—(date not given in text)

Solovyova, Svetlana Pavlovna, born 1940.

Alexeeva, Valentina Ivanovna, born 1939.

Borushko, Grigori Grigorievich, born 1939.

Zaborsky, Viktor, Mikhailovich, born 1936.

Timchak, Vasili Terentievich, born 1929.

Charged under Article 138, Section II, of the Ukrainian Penal Code, Case No. 16827.

The judge defined the defendants' rights.

JUDGE. (to the defendants) What are your requests?

All the defendants asked that their fellow-believers be allowed into the courtroom and requested the right to conduct their own defense.

G. Borushko and V. Zaborsky demanded that the prosecution witnesses N. V. Kuzmenko, district superintendent of the Odessa Region, and his deputy F. A. Balaban, and also senior police lieutenant Shamrai, be called.

Solovyova and Krivol asked permission to use a Bible in their defense.

JUDGE. Alexeeva, why are you refusing to have a defense counsel?

ALEXEEVA. I invited Jesus Christ to be my defense a long time ago (she quotes a Bible text but the judge interrupts her).

JUDGE. For what reasons are you refusing a defense counsel?

KRIVOI. "My witness is in heaven, and my record is on high" (Job 16:19).

SHEVCHENKO. As a believer, I can't be defended by an atheist; God is my defence.

SOLOVYOVA. If a person is mentally balanced (according to Art. 146) he has the right to conduct his own defense.

PROSECUTOR. I consider it admissable to grant the defendants' request about dispensing with counsel and giving them the right to conduct their own defence. The request for the summoning of additional witnesses is inadmissable. As to the request for believers to be present in court, the door is open and entry is free to all, everyone who wanted to come in is already here. With regard to the request by Solovyova and Krivoi for a Bible to use in the defence, this question will resolve itself in the course of the trial. The opportunity to use a Bible will be given as necessary.

The defence lawyers requested that the defendants' plea for permission to use a Bible and for the calling of additional witnesses be granted, then they left the courtroom.

The judge asked the defendants' opinion on how the trial should be conducted.

Solovyova and Borushko suggested that interrogation begin with the witnesses. The prosecutor suggested that they begin with the defendants. There was an interval while the members of the court left for a consultation. After the interval, none of the believers was admitted into the court. The judge declared that the interrogation would begin with the defendants.

JUDGE (to Shevchenco). What relevant testimony can you give the court?

SHEVCHENKO. I won't give my testimony until all my fellow-believers who are outside are admitted to the courtroom. They are freezing out there, I can imagine what it's like. How can we consider the case calmly here in these circumstances?

The judge demanded that the actual names be given of those whom the defendants wanted to see admitted. They let a few in and said that that was all there were.

N. P. Shevchenko addressed himself to the gallery and asked: "Brothers and sisters, are there some outside who want to come in?"

From the gallery came the reply: "Yes, there are!"

In the gallery, the atheists began to ask "Who on earth's in charge here, the court or the Baptist?" But just then the believers outside were being chased further away from the courthouse.

JUDGE. Krivoi, give your testimony.

KRIVOI. I won't give my testimony until all those who want to have come in.

The rest of the defendants also refused to testify until all the believers had been admitted.

JUDGE. Defendant Borushko, go out with the police lieutenant-colonel and call everybody to come in.

Borushko went out and gathered all the believers who were in the next street, round the corner, and brought them in.

JUDGE. Shevchenko, what relevant testimony can you give? Tell us your work record. When did you become a Christian? How and in what circumstances did you become an invalid from work?

SHEVCHENKO. I began to work at the age of 16 and became an invalid in 1934 as the result of an accident at work. I became a believer in that same year.

JUDGE. How long have you been a pastor?

SHEVCHENKO. The Church elected me as a an elder in 1946 and in 1940 as pastor.

JUDGE. But why were you elected as a pastor in 1949?

SHEVCHENKO. Because the Church had to test my manner of life. It is only when the Church has ascertained whether a man's life corresponds to the gospel and is convinced that its servant is worthy, that it elects him as a pastor.

JUDGE. What is the difference between the office of pastor and the office of elder?

SHEVCHENKO. An elder can lead a Church meeting, but only a pastor can fulfill spiritual needs.

JUDGE. Was there any break in your activity as pastor?

SHEVCHENKO. A pastor is elected for life.

JUDGE. When you were in places of imprisonment, were you still a pastor?

SHEVCHENKO. Yes, I was still a pastor during those times too.

JUDGE. Tell us why registration was suspended from your congregation, when and for what reasons?

SHEVCHENKO. Registration was suspended in 1958 because an official representative of the Council for Religious Affairs was not invited to the opening of the prayer house and because children were present at services.

JUDGE. Did you continue to meet after the congregation was dissolved?

SHEVCHENKO. Yes we did, but we kept on requesting to be registered the whole time. We applied to Kiev and Moscow for registration several times.

JUDGE. Up to 1958 you accepted the legislation on religious cults?

SHEVCHENKO. It wasn't in operation.

JUDGE. Do you accept the legislation on cults now?

SHEVCHENKO. Yes, I accept it, but I can't agree with certain points.

JUDGE. Name these points.

SHEVCHENKO. We aren't allowed to admit children to services, but it's written in the gospel: "Suffer the little children to come unto me and forbid them not." We weren't allowed to baptize believers under 30 years of age. According to the gospel baptism is carried out on the basis of faith, not age.

We don't agree with the section that forbids freedom to preach outside our own congregation.

Only the Church must elect and dismiss pastors and preachers, but according to the legislation, the official state representative appoints them. The Church is best able to judge who is fit to serve in it, not a secular functionary.

I have already been tried once before and the same charges were brought against me. I served 2 years and 7 months in prison. The Prosecutor-General protested against my sentence, the court reviewed the case and in the absence of proof of criminal action I was rehabilitated, but now the same accusations are being brought again.

JUDGE. At that time there was no such law, but now these activities are countered under the March 1966 decree.

PROSECUTOR. When you were under detention, did you maintain your link with the church?

SHEVCHENKO. We were behind barbed wire fences and you know perfectly well that there's no chance there of maintaining any link.

JUDGE (undoes a parcel and takes out the collection: "Ray of Light"). Look, these

aren't just written things, you can tell by the format that they've been done by a specialist. Look at this binding. Where did you get the money for it? Have you any specific funds?

SHEVCHENKO. We don't have any funds. When there's a need, we have a collection. At all our funeral services we get financial help and also believers collect money to buy paper and materials.

JUDGE. Give us the names of those who did the printing.

SHEVCHENKO. I won't answer that question.

JUDGE. Do you know who brought illegal literature to your congregation?

SHEVCHENKO. All believers.

JUDGE. What do you mean, all believers? Who specifically? You say you didn't help to distribute literature. Yannu Shmidt testifies that he got the "Fraternal Leaflet" in your house.

SHEVCHENKO. I didn't consider this as distribution; I was sharing with my brother the Word of God, since the Word of God is the bread of life and spiritual food and our Christian duty is to share.

YA. N. KRIVOI'S TESTIMONY

JUDGE. What have you to say about this case?

KRIVOI. In 1937 I was sentenced to 10 years for my faith in God. I was in prison for 9 years and 6 months. After that my case was reviewed and in the absence of criminal proof I was rehabilitated. Along with me my fellow believers were sentenced to 25 years' imprisonment and to the supreme punishment—execution. And they were shot. After the review of their cases they were posthumously rehabilitated.

JUDGE (interrupting him). We aren't asking you about that. You were rehabilitated and the previous trial doesn't count. What congregations did you belong to before? When did you become a member of Peresyp congregation?

KRIVOI. In 1963.

JUDGE. Why did you leave the registered congregation? What were your disagreements with them?

KRIVOI. Because a state official was interfering in the internal life of the Church.

JUDGE. You were a member of the illegal all-Ukrainian conference; what documents did you sign there?

KRIVOI. I signed a document, but I don't remember the contents now.

JUDGE. Did you preach at the May-Day celebration?

KRIVOI. No, I wasn't there.

JUDGE. What part did you have in organizing the May-Day meeting?

KRIVOI. I have already answered.

PROSECUTOR. In the pre-trial investigation you said (he quotes): "I stood leaning against a tree. . ."

KRIVOI. That's false. The investigator wrote that himself, I didn't say it.

PROSECUTOR. The court will check on that (he refers to the report on the affair).

JUDGE. It can't be checked. The defendant hasn't signed it. What were you doing on that day?

KRIVOI. I have proof that I was working on 2nd May.

PROSECUTOR. The court will find out whether you were there or not. Who preached in Gomenyuk's house?

KRIVOI. I was outside and I didn't see the speakers.

JUDGE. Witnesses have testified that you preached.

KRIVOI. I've already answered.

PROSECUTOR. You're obviously avoiding a reply. Who distributed the literature?

KRIVOI. I've nothing to do with that side of things.

JUDGE. You say that in your literature there's nothing but evangelical teaching (he reads an extract from an "appeal" to all believers of registered congregations).

KRIVOI. Read the whole "appeal"—I can't answer from extracts.

PROSECUTOR. I'll read you the exact quotation from this document (he reads it).

KRIVOI. Read on, so that the audience can understand what it's about.

PROSECUTOR. Do you remember what documents you signed?

KRIVOI. Yes, I remember. I don't repudiate those documents that I signed and I'm fully in agreement with their contents.

SVETLANA PAVLOVNA SOLOVYOVA'S TESTIMONY

JUDGE. Defendant Solovyova, do you admit your guilt?

SOLOVYOVA. No. I'm charged with distributing literature. I don't consider that a crime. It's my duty.

JUDGE. What's your profession?

SOLOVYOVA. Painter.

JUDGE. Have you been working as a painter recently too?

SOLOVYOVA. No, I've been on watch duty.

JUDGE. But you also worked in a laundry?

SOLOVYOVA. Yes, I did both.

JUDGE. Tell us, do you enjoy your work?

SOLOVYOVA. Yes, I do.

JUDGE. When did you become a believer?

SOLOVYOVA. Can I start from the beginning?

JUDGE. By all means.

SOLOVYOVA. I came to Odessa as a child. My father had reenlisted and worked at headquarters, and remained there as a painter. I went to evening classes. At home I often heard about God and about believers, but it didn't interest me. I wanted to live like everybody else. My mother was illiterate, she didn't make me go to meetings or believe in God. I grew up with the same aims and the same desires as my fellow-pupils, thinking that only uneducated and old folk believed in God. In school I joined the *Komsomol*. After I had finished school, I was faced with the question of where to go and what to do then. I got a job. I didn't want to stay at home because the conversations about God and my mother's continual prayers and all that religious environment disturbed and haunted me.

I decided to leave home. I told my parents that I was going to enter an institute in Novosibirsk. I said it deliberately, knowing it was a lie. But I couldn't see any other way out and I deceived my relatives and went to Novosibirsk. I took my personal documents with me but I hadn't given in my notice at work, having arranged with my own people that if I didn't pass the exams I'd come back. In Novosibirsk I applied to the institute, but as I hadn't prepared for it and wasn't really keen on it, I didn't get in. But I sent a telegram home: "Passed exams, give notice at work. Staying to study." That's how my life away from home started, a life that began with deception.

Sometimes I used to think: "Does God exist or not?"

JUDGE (interrupting her). This thought stayed with you because they knocked it into you in childhood.

SOLOVYOVA. They didn't knock it into me. If my mother had brought me up in that spirit, I wouldn't have been there, I wouldn't have deceived my parents. I simply knew that believers existed and that they believed in God and sometimes I thought about that, but the cinema, the theatre and all the worldly pursuits didn't leave room for such thoughts and I forgot about them.

After working for a year in Novosibirsk, I came home on leave for 10 days. At home my mother invited me to a meeting, and so as not to grieve her, I went. There I heard about God more fully. This though stayed in my mind and I began to think about this question more seriously. It didn't leave me in Novosibirsk either, it followed me everywhere. I couldn't stay in those circumstances any longer and I was tortured in my conscience for having deceived my parents. It was a difficult time for me, these were the fruits of the world's education. And then I had the idea of going home. All this happened very quickly. I gave in my notice at work, broke with everything that held me back and came home. At home I straight away began to seek satisfaction and peace for my soul. The world no longer satisfied me. Everything in it revolted me.

Once I went to a meeting at Peresyp. There I heard comforting words. I saw the joyful, happy faces of girls and boys just like me. I saw their goal in life and I understood that here I could find what I had long been seeking—peace for my soul. Here was my happiness, Christ became my goal in life. The Church at Peresyp became my spiritual mother. I found my place in life, I found happiness.

PROSECUTOR. Defendant Solovyova, you have taken up too much time with the story of how you became a believer. It would be better if you would tell us how you distributed illegal literature and whether you consider this a crime.

SOLOVYOVA. I distributed illegal Christian literature and I don't consider this a crime, since it's my duty to give bread to the hungry. I did it with a feeling of compassion, people were interested and I couldn't refuse them. I did distribute literature and I shall go on doing so, if I still have the opportunity, for it's my duty.

JUDGE. You also preached and you don't consider that a crime?

SOLOVYOVA. I haven't preached in the sense that you mean, but all believers are preachers of the Kingdom.

JUDGE. Just imagine what it would be like if everybody in this country began to preach what he liked and wherever he liked, no matter whether people listened to him or not.

SOLOVYOVA. I did not more than speak about Christ—and only where people listened or where they asked me to.

PROSECUTOR. You say you preach only about Christ and that your literature is purely spiritual, but look at this: (he reads an extract from a copy of *Fraternal Leaflet* about the May delegation (1966), where it says that believers were beaten up outside the Central Committee building and remarks indignantly): Is that about Christ? Why, that's slander against Soviet reality.

SOLOVYOVA. It certainly is Soviet reality: I well remember the first blow I got outside the Central Committee building—after that I don't remember the others.

JUDGE. 14 copies of *Fraternal Leaflet* were taken from your flat. Where did you get them? Somebody must have done them and given them to you.

SOLOVYOVA. I'm not going to tell you that. I just got them.

JUDGE. How many did you distribute? 50, 100, 200 copies?

SOLOVYOVA. I don't remember. I tried to give out as many as I could.

JUDGE. Were you there at the May-Day meeting? Do you remember how many people were there?

SOLOVYOVA. I can't tell you. I didn't count them.

JUDGE. But roughly—a hundred, two hundred, five hundred people?

SOLOVYOVA. I don't know, maybe even more. (In the gallery there are astonished exclamations: "You see!")

JUDGE. Do you know the people who were there on May Day?

SOLOVYOVA. I know that they were my brothers and sisters.

JUDGE. Was the defendant Krivoi there?

SOLOVYOVA. No.

JUDGE. How can you tell—could you see all 500 people?

SOLOVYOVA. Yes, I saw them all.

JUDGE. Please tell us what your relations are with the registered congregation.

SOLOVYOVA. What should my relations with them be? They're my brothers and sisters there.

PROSECUTOR. Defendant Solovyova, you said that you were convinced the cinema is a means of agitation—what sort of agitation?

SOLOVYOVA. What do you mean, agitation? It's a means of taking people away from God.

PROSECUTOR. You said that the people in the central congregation are your brothers and sisters?

SOLOVYOVA. Yes, that's right.

PROSECUTOR. Why don't you go there?

SOLOVYOVA. In the first place, as I already said, the church at Peresyp is my spiritual mother. It's my family, that's where I was born.

JUDGE. You mean that in your family you have 'brothers' and 'cousins'?

SOLOVYOVA. Yes, that's right.

JUDGE. What do you consider to be wrong in the central congregation?

SOLOVYOVA. The authorities interfere in the Church there and poison the minds of believers against each other.

JUDGE. Did they do that to you personally?

SOLOVYOVA. Not to me personally. I remember once when I was still going there often—they took a woman out of the meeting; she was a small person and they thought she was a minor.

JUDGE. Who took her out?

SOLOVYOVA (uncertainly). Believers.

JUDGE. What have the authorities to do with that?

SOLOVYOVA. What do you mean, what have they to do with it? It was they who ordered her to be taken out and they had the power to do it.

JUDGE. Do you read books?

SOLOVYOVA. Yes, I used to. Even in prison now I still read.

JUDGE. But there aren't any books about Christ there.

SOLOVYOVA. I can get something precious out of anything.

JUDGE. Very true. Tell us, did you preach at the May-Day meeting?

SOLOVYOVA. I don't remember whether I ever preached at meetings.

JUDGE. Are you a member of the Council of Twenty (Church Council)?

SOLOVYOVA. Yes.

JUDGE. Why did the Church elect you particularly?

SOLOVYOVA. Why do you want to know about me particularly? There are 19 others besides me.

JUDGE. Did you stand out in some way from the rest of the rank and file?

SOLOVYOVA. No, I don't think so. I'm not worthy of that. I'm not worthy to stand before you today, since only the best Christians are brought to trial.

JUDGE. When your flat was searched, they took copies of the Kiev declaration. Why did you keep them?

SOLOVYOVA. To give to others.

JUDGE. Have you already given out a lot?

SOLOVYOVA. I don't remember. I gave them out when necessary.

JUDGE. What would happen if everybody preached his own beliefs and got a crowd of followers around him? Maybe there are some people who don't want to listen to you.

SOLOVYOVA. I'd be very glad if I had the chance and the strength to gather a crowd around me. If some people didn't want to listen, I wouldn't force it on anybody.

JUDGE. Why did you give your boss copies of your pamphlet-letters at work?

SOLOVYOVA. Every day at work a policeman used to come to see me. All the workers began to get curious about why he came. I started to explain and gave them out for people to read.

JUDGE. Did you preach?

SOLOVYOVA. You keep calling me a preacher. In your sense I'm not, but as a Christian I must preach by my life and I spoke about Christ wherever I could, when I had the chance. I speak about Christ on trams and now in this hall and I'll go on doing so.

While their friends were being taken out, all the believers stood in flanking rows and when the defendants passed between them they greeted them with raised hands. Both the defendants and their friends had joyful expressions on their faces. Thus finished the first day of the trial.

On the second day everybody who wanted to came into the courtroom. They brought in the defendants. Valya Alexeeva came first and greeted everybody aloud: "Greetings to all brothers and sisters!" From the audience came the reply, "Greetings to you." The defendants took their places and prayed standing.

The trial was declared open.

JUDGE. Alexeeva, what have you to say about the case?

ALEXEEVA. First of all I want to know whether all my friends have been let in. (They answered that everybody had come in.)

JUDGE. Tell us about yourself. Where did you come from to live in Odessa?

ALEXEEVA. From the Vologda Region.

JUDGE. What was the reason for your coming here?

ALEXEEVA. I was fulfilling the command of Christ: "If they persecute you in one town, flee to the next".

JUDGE. But how were you being oppressed there?

ALEXEEVA. Well, there was only a small group of believers there and atheists and lecturers used to visit me systematically.

JUDGE. So you were frightened?

ALEXEEVA. No, I enjoyed chatting with them. But when they realized that their visits were pointless, then the press started up. They wrote a lot of slanderous articles about me. You know very well how we hold baptisms, but in the paper they wrote a lot of lies—even that my veins were cut and believers drank my blood.

JUDGE. They wrote about you personally in the paper?

ALEXEEVA. Yes, directly about me. Once they did it using a false name, but in such a way that it was obvious it was me. They never let me alone, neither at home nor at work. That was why I left.

JUDGE. Were you invited to come to Odessa?

ALEXEEVA. No, I tried to find out where there was a prayer house and young believers.

JUDGE. Is there a prayer house in Razdelnaya?

ALEXEEVA. No, but there are some not far away.

JUDGE. Did you distribute literature?

ALEXEEVA. Yes I did.

JUDGE. Do you know the Gubanovs?

ALEXEEVA. Yes, they're my good friends.

PROSECUTOR. Did you send letters to them?

ALEXEEVA. Yes.

PROSECUTOR. Did they ask you to send them?

ALEXEEVA. No, but they wanted to meet me personally to have a talk. But I couldn't manage that, and I wrote to them about the life of our family (the Church) and sent them the *Fraternal Leaflet*.

JUDGE. Are you in agreement with the legislation on religion?

ALEXEEVA. Yes, except for some points.

JUDGE. What points do you not agree with?

ALEXEEVA. We're forbidden to help each other. That contradicts the gospel. We can't disobey the commands of Christ. Our faith must be accompanied by works, for faith without works is dead. It says in the gospel: "Add to your faith virtue; and to virtue knowledge; and to knowledge temperance; and to temperance (the judge tries to interrupt) patience; and to patience godliness; and to godliness brotherly kindness; and to brotherly kindness charity."

JUDGE. Were you there on May Day?

ALEXEEVA. I wasn't there on 1st, but I was on 2nd.

JUDGE. Who else was there of the defendants?

ALEXEEVA. I remember Nikolai Pavlovich Shevchenko was, we sat together, away from the crowd and listened.

JUDGE. Who preached? What part did you take?

ALEXEEVA. Guests preached and read poems. I had a poem, but I gave my place up to others who had come from other towns.

JUDGE. Does the literature which was taken from Tikhenko belong to you?

ALEXEEVA. Yes.

GRIGORI GRIGORIEVICH BORUSHKO'S TESTIMONY

JUDGE. Defendant Borushko, what have you to say?

BORUSHKO. Your honour, I resquest permission first of all to clarify the contents of the charge brought against me. Then I am ready to answer any questions the court wants to put. I am accused of the systematic distribution of illegal literature during 1965–66 on the premises of the prayer house of the Odessa Church. That's a lie. I never distributed any literature on the premises of the Odessa Church.

JUDGE. You said at the pre-trial investigation that at one time this literature used to be at your house.

BORUSHKO. I didn't sign the protocol of the pre-trial investigation—the investigator wrote what he wanted to.

I have been charged with organizing and holding a service on 2nd May in the forest plantation near Shevchenko's farm, which was supposed to have caused a public nuisance by disrupting normal running of road and rail transport in the said district and to have caused material damage to the forest plantation. I've been in Odessa 10 years now and every year I've been at the May-Day service and it's never been brought against me. The court has photographs of the May-Day service in 1965, at which believers from other congregations were also present. That tells you that the May-Day service is something traditional and there's no special organization needed for it.

I personally came to the plantation about 9 a.m. Some fellow-believers were already there. We found our clearing and began to make ready. We hung up a text: "You who remember the Lord, do not be silent!" The meeting began at 11 a.m. I took an active part in conducting the service. Krivoi wasn't there at all, Shenvchenko took absolutely no part in it. I preached on the theme of "God the Creator of the universe" on the basis of Romans 1:20.

I spoke of how the world is regulated and develops according to certain laws as revealed by the scientists, but there must also exist the One Who made these laws, that is God. If we look at the world around us, we see many different objects made by the hand of man, but there are things—animals and the plant world—the author of which we have difficulty in identifying. They didn't create themselves. But there wasn't any appeal in my sermon to break the laws on religion. I can't even imagine how that could be associated with such a theme. We played and sang, and generally spent a good day. Then some auxiliary police came up, but they behaved properly. In the end they listened for a bit, stayed a little longer and then gradually dispersed. We picked up all the litter and burned it. What's wrong with that?

PROSECUTOR. Why did you break the law and meet without being registered?

BORUSHKO. I don't consider that we broke the law, according to one basic law, the decree of Lenin, point 5: "Free celebration of religious rites is guaranteed, insofar as they do not disturb public order and do not infringe the rights of citizens of the Soviet republic." Our meetings in flats do not cause

a public nuisance and are not connected with any infringement of the rights of other citizens. So the 1929 law contradicts Lenin's decree in this matter.

PROSECUTOR. You aren't interpreting it properly. If you read on, point 6 is: "A citizen's first obligation is the duty to keep Soviet law."

BORUSHKO. I consider my first obligation as a citizen is my duty to work. I work in a factory . . .

PROSECUTOR. What else do you disagree with in the legislation?

BORUSHKO. It violates the principle of the separation of church and state. State officials have the right to remove a pastor.

PROSECUTOR. You appoint another one.

BORUSHKO. He's removed again and a month is given to elect a new one. Otherwise they suspend registration. Shevchenko was removed, Logvinenko was elected, and he was removed by the official, too.

PROSECUTOR. Is there anything else you don't agree with?

BORUSHKO. General meetings for church members can be held only with the permission of the Party district executive committee. For example, if we need to elect a pastor, we have to ask permission from the committee. They may not allow the meeting to take place. That's interference by the state in the internal affairs of the Church.

PROSECUTOR. You signed and duplicated copies of a Declaration on the suspension of Article 124 of the Constitution.*

BORUSHKO. That was the first such declaration, since we knew that a new constitution was being worked out and we as citizens placed our request with the Legal Draft Commission that Article 124 be formulated in such a way as to guarantee complete freedom of conscience. As believers, we did what Christ said: "Ask and it will be given unto you, knock and it will be opened unto you."

JUDGE. In the letter "On unity" you criticize the religious decree which allows believers to participate in cultural life, to go to the cinema and the theatre, and you add: "It's impossible to imagine a more satanic programme."

BORUSHKO. That decree is a document of the official religious body (All-Union Council) and the state has nothing to do with it. So you're condemning us for not fulfilling that decree?

JUDGE. For what reason did you write that letter?

BORUSHKO. Our whole Church at Peresyp went to the town Church to talk about unity. But when that discussion didn't materialize, we had to address them by letter.

PEOPLE'S ASSESSOR: You said that the legislation was adopted in the period of the cult of personality. You don't know your history.

BORUSHKO. Let me correct that. In the period of Stalin's activity, when there were significant religious restrictions.

ASSESSOR. The last Baptist congress was in 1926. When did you finish at the institute?

BORUSHKO. They finished me.

ASSESSOR. Why did they expel you from the institute?

BORUSHKO. For my religious convictions. They told me I wouldn't get through in the subject of atheism.

ASSESSOR. Quite right too.

BORUSHKO. You know, this man (pointing to the Assessor) should be tried under the same law.

ASSESSOR. Did you pass in histology?

BORUSHKO. Yes, with the assessment "excellent".

ASSESSOR. So you studied embryology, the science of the development of man. How did you reconcile that with your convictions?

BORUSHKO. In order to speak about the emergence of life, you have to go back to the question of the emergence of the first living cell. There's Oparin's hypothesis, which is still only a hypothesis, that is, a surmise, and unproved.

ASSESSOR. What do you mean? It's been proved by science.

BORUSHKO. It's been proved. When I was at college, Professor Olga Borisnova Lepeshinskaya experimented on a chicken embryo and made a cell out of a noncellular substance. They gave her the Order of Lenin. Then they checked it and the experiment proved to be false. So the Order of Lenin had to go back. (Laughter in the court, the Judge makes a remark to the People's Assessor.)

PROSECUTOR. Why are children present at your meetings?

BORUSHKO. I'm amazed that our comrade the Prosecutor says children have no right to go to the meetings. I don't know any law that forbids children to attend meetings. The existing law forbids only the organization of meetings specifically for children.

ASSESSOR. You came to Odessa as a young man—were you already a believer?

BORUSHKO. My views were formed during my time as a student.

ASSESSOR. Didn't your elder brother Sergei have any influence on you?

BORUSHKO. Maybe to some extent. But really a man is born again by the Word of God.

ASSESSOR. Is your wife a believer too?

BORUSHKO. She shares my views.

VICTOR MIKHAILOVICH ZABORSKY'S TESTIMONY

ZABORSKY. I plead not guilty to the charge against me.

JUDGE. How long have you been in Odessa?

ZABORSKY. Since 1956.

JUDGE. Where did you come from? In what connection and to whom?

ZABORSKY. I came from Khabarovsk, after being demobilized. I came to relatives.

JUDGE. When did you become a believer?

ZABORSKY. When I was in the Soviet Army.

JUDGE. When did you have a chance to occupy yourself with such matters there?

ZABORSKY. You don't need a long time to become a believer.

JUDGE: What's your job?

ZABORSKY. Stoker.

JUDGE: Did you help to organize the distribution of literature?

ZABORSKY. I'm charged with distributing illegal and slanderous literature. I didn't distribute any such literature.

PROSECUTOR. But witnesses have testified that you did.

ZABORSKY. I asked that they should say it to my face.

PROSECUTOR. Did you preach?

ZABORSKY. Yes, I did.

PROSECUTOR. Did you speak in Gomenyuk's house, on May Day?

ZABORSKY. No, I wasn't there at all on 1st May.

PROSECUTOR. Were your children there?

ZABORSKY. Yes, they were.

VASILI TIMCHAK'S TESTIMONY

JUDGE. Tell me about yourself, why did you come to Odessa?

TIMCHAK. I came here from Tarnopol Region in 1956 and I liked Odessa.

JUDGE. Were you already a believer?

TIMCHAK. Yes.

JUDGE. Where did you meet other believers?

TIMCHAK. At the prayer house.

JUDGE. What did you do in Odessa?

TIMCHAK. I worked in a factory, first as a brick-layer, then as a tinsmith.

JUDGE. When you came, was there a prayer house at Peresyp?

TIMCHAK. No, we met in people's houses.

JUDGE. Did you go to conferences in Moscow?

TIMCHAK. Yes, I did.

JUDGE. Did you preach?

TIMCHAK. Yes. But you accuse me of calling people to ignore Soviet laws. I never made any such appeal in my sermons.

PROSECUTION. Were you at the All-Union Conference in Moscow?

TIMCHAK. Yes I was. We adopted a declaration, but there wasn't any appeal in it not to obey Soviet laws.

PROSECUTOR. Were you summoned to the district executive committee?

TIMCHAK. Yes.

PROSECUTOR. You were at the conference—what resolutions did you make there?

TIMCHAK. Yes I was there. We decided Church matters.

PROSECUTOR. Why did you, personally, particularly go to Moscow?

TIMCHAK. The Church elected me.

PROSECUTOR. Why did you all go to Moscow?

TIMCHAK. Because we weren't being allowed to have a congress, to which we had a right.

PROSECUTOR. Do you accept the legislation on religious cults?

TIMCHAK. Yes, but I disagree with certain points.

PROSECUTOR. Which ones?

TIMCHAK. The legislation forbids us to give one another practical assistance. It gives state officials the right to remove a pastor. (He enumerates other points.)

JUDGE. What questions did you decide at the Moscow conference?

TIMCHAK. We wrote a declaration to the government and asked them to recognize our brethren, the Council of Churches. The Council itself was elected.

JUDGE. Where did the regional conference take place?

TIMCHAK. I can't answer that question.

(Here follow the testimonies of the witnesses. First to be called is Nikolaev, a *Komsomol* official. His testimony against the defendants contradicts what he said at the pre-investigation and reveals, as do later testimonies of other witnesses, the manipulation of the case for the prosecution.

(In the testimony of the witness L. A. Kuprianov there is still further evidence of the difficulties besetting believers on account of the legislation on religion.)

JUDGE. Do you respect Soviet laws?

NIKOLAEV. Why shouldn't we respect them? You ask at work how often I do two shifts in a row; that shows you how I respect them.

JUDGE. All right; but the legislation on religion is also a Soviet law.

NIKOLAEV. The legislation on religion affects believers only. We can't fulfill those points in the legislation which are contrary to the gospel. For example, we as believers elect a man for spiritual work, then a state official interferes and has the right to remove him. We elect somebody else, and he doesn't like him either.

JUDGE. Whom precisely did you elect?

NIKOLAEV. In our congregation we elected Logvinenko, but the state official turned him down.

There's another point I don't agree with. The legislation forbids us to give each other material help. Now I'm in a trade union, and if somebody falls ill or dies, we help towards the funeral wreaths or assist the sick person. Is that wrong?

JUDGE. But what if he's not working?

NIKOLAEV. If he doesn't work then he should be tried as an idler. There's a law about that. But how can we refuse to help if there's an old woman among us who gets 13 rubles pension (£6 a month)—you have to buy her wood and coal.

JUDGE (reads points from legislation). This giving of financial help is forbidden, but nobody forbids you to give practical help.

NIKOLAEV. What do you mean, nobody forbids it! Some believers once went to the home of an old blind lady to dig her vegetable garden and vineyard—the auxiliary police came along and chased them away. Suppose my house burned down, for example, do you think the believers wouldn't help me? Would

* Guaranteeing the "freedom to hold religious services and the freedom of anti-religious propaganda". Lenin's original constitution had proclaimed the rights to "religious propaganda."

you help, brothers and sisters? (He turns to the gallery, answers are heard "Yes, yes!") ... And another thing, if a man is elected to serve in one congregation, for example in Shevchenkovo, or Peresyp, or in town, then the minister of Peresyp congregation isn't allowed to preach in town and vice versa. But the Lord says, "Go ye into all the world and preach the Gospel to every creature."

(The testimony of several witnesses follows).

JUDGE. Have you seen believers gathering for a meeting?

WITNESS YAKOVCHENKO (an unbeliever). Yes, they come in one way and go out another. They gather in an orderly and quiet way, and by 9 o'clock they're all gone, not a trace of a soul.

JUDGE. What do they do at meetings?

WITNESS. They sing and play, very nicely. They've even got a string orchestra, you can hear it through the whole village.

JUDGE. So they cause a public nuisance?

WITNESS. God forbid, they're such quiet folks, they couldn't be a public nuisance.

BORUSHKO. Tell us, witness, was there an appeal in my sermons not to obey the legislation on religion?

WITNESS PARADOVSKAYA (17 years old). Yes there was.

BORUSKHO. What form did it take?

WITNESS. You said, "God is love". (Laughter in court).

S. P. SOLOVYOVA'S DEFENSE SPEECH

Comrade Judges! For 4 months now, while the investigation was going on, they've been trying to prove to me that I'm not accused because I'm a believer, but because I've broken the Soviet legislation on religion.

In 1918 Lenin's decree on the separation of church and state was promulgated, guaranteeing all citizens freedom of conscience.

I'm charged with misinterpreting the concept, "freedom of conscience"—that is, they want to convince me that the legislation on cults doesn't contradict Lenin's decree, but makes it more explicit.

Obviously you can interpret the words "freedom of conscience" differently, but it's a shameful thing for our state, the most democratic in the world, when believers can't meet on May Day and spend it as believers.

The prosecutor was very interested as to whether or not we sang revolutionary songs on May Day. If we'd sung revolutionary songs, we wouldn't have been called up before the authorities.

Isn't that a violation of the Constitution, art. 124, which "guarantees freedom of conscience", and gives us the right to sing religious songs?

A lot's been said about giving material help. The legislation on religion, article 17 (b) says: "It is forbidden to render material assistance to other members." I went to tell the court that I don't know of any other state, even the most backward one, where the law demands such a thing—that someone should have the right to control what purposes I can use my honestly-earned money for, and should forbid me to use it to help those in need.

Isn't this point in the legislation a limitation of the freedom of conscience?

In the existing legislation there are points forbidding the activity of circles for children, adolescents, young adults, men and women. But if in our congregation there are young people who want to play instruments, by what international law can you forbid the activity of such circles?

In the legislation there are points limiting the activity of a preacher and of a choir to the area of residence of the congregation in question. This isn't considered a violation of the principle of freedom of conscience. But after all everybody knows that the artists of the Moscow theatre travel not only to different towns, but even to different countries. They aren't restricted in this, let alone called to account for it. If a believer visits another congregation, whether he simply goes as a guest or whether he is in another congregation while on a business trip, or if a choir particularly wants to go to a wedding in some other village, then doesn't the law which forbids this contradict Lenin's decree, article 2?

That point in the legislation where it talks about the right of the official representative to have the presbyter removed, isn't that a violation of Lenin's decree on the separation of church and state? There was a case in our Church: the removal of V. Ye. Logvinenko. Only one reason is known for his removal—the fact that he is a young man; but he's of age, and the Church put its trust in him when they elected him.

Don't all these points, which really restrict freedom of conscience, have one aim in view; to drain all the sap out of believers?

One of the main points of the charge is that according to the existing legislation, any religious society can become active only after registration. Registration is given only on conditions which are contrary to our doctrine. Therefore we as Christians cannot neglect to meet, even though we are deprived of registration.

The charge against us of causing material damage during our celebration of May Day in the plantation is a deliberately-concocted lie. The record of the trees being broken down was put together long after our arrest.

I don't consider the distribution of literature a crime. Instead of giving us freedom to print, you condemn us for this. I did distribute literature and I will continue to do so at the slightest opportunity.

Why are we being tried for breaking the Soviet legislation on religion? The fact that the congregation is unregistered is seen as a crime when Shevchenko and Bondarenko, after being sentenced for precisely the same thing, were rehabilitated while the same legislation was in operation.

The legislation has continued to exist—it's the authorities themselves who are interpreting it differently at different times.

I want to ask the court: when was the mistake made, when they were sentenced, or when they were rehabilitated?

You gave me a great honour when you described me as an organizer. I'm not an organizer, as you accuse me of being. I have friends who are spiritually above me and have worked harder than I. I don't say this because I'm afraid, but because I don't consider myself worthy of such a great honour—to suffer for my Lord.

(Shevchenko asks for postponement of his defence speech, but is deprived of it altogether.)

GRIGORI BORUSHKO'S DEFENCE SPEECH

I consider myself happy to be able to stand before the court, not as a criminal, but as a Christian. I am grateful to you, comrade Judges, for giving those who wanted to be at this trial the opportunity to be convinced of our innocence. And now, dispensing with my legal right to a defence counsel, I shall defend my own case, in the hope that you will graciously hear me out.

Comrade Judges, I am grieved by the fact that the main prosecution witnesses have not been called; Yuleshkin, Shamrai and Kuzmenko. I am beginning to get the impression that the Prosecutor has been absent from court and that our fate has already been decided long ago.

The aim of my defence speech is to demonstrate my innocence of the charges against me, also to show that I am being tried for my religious convictions; to show that the whole indictment did not issue from an actual crime, but was artificially constructed and is the result of an official directive.

The defence is significantly complicated by the fact that witnesses have not been called and therefore the conclusion cannot be a logical one.

Comrade Judges, I was expelled from the medical institute because of my religious convictions. You heard from the witness Moroz's testimony that without having any grievance against me at work, they nevertheless decided at the Party office to dismiss me. And even now in the First Aid section they're threatening me with dismissal. All this is, moreover, a violation of the legislation and if you were to put both our actions in the scales, isn't it obvious that theirs is worse?

And if I'm deprived of freedom, nobody can take away my right to suffer for my Christ.

"Whoever wishes to bear the cross once will be crucified forever . . ."

JUDGE (interrupting). Keep to the point.

The Church lives as long as it suffers. If you look at the history of Christianity, its faithfulness to Christ, Christianity kept its vitality as long as it suffered. And on the other hand, when the Church moved away from the commands of Christ it ceased to suffer.

Comrade Judges, it is in your hands today, in the name of the law, either to justify arbitrary recriminations, or to show all present that there is justice on earth too. Otherwise I say in Lermontov's words: ". . . There remains the judgment of God . . .!" That's all I have to say.

VASILI TIMCHAK'S DEFENSE SPEECH

I consider myself fortunate that I am on the defendants' bench today as a Christian, not as a thief or a murderer or as someone who has violated another's property. And I rejoice in this fate which has befallen me for Christ.

As a Christian, I believe in Christ and I preached about Him and will continue to do so in future.

The Prosecutor was present in the courtroom and apparently she didn't hear a thing the witnesses said—she read out something that had been decided on and written down already and didn't make a single extract from the witnesses' testimonies.

I'm charged with being a preacher. Yes, I am a preacher and preaching the Word of God isn't a crime before the law.

I'm charged with participating in activity intended to stir up disobedience to the legislation on religion. This wasn't confirmed by any of the witnesses. Nobody said that I appealed to people not to obey the legislation on religion. We don't preach about state legislation at our divine services, we preach the Word of God which says that all people should repent and accept the Kingdom of God. I preached this Kingdom of God and the witnesses confirmed that. In my sermons I spoke about the love of God, how Christ loved man even to the death on the cross, so that everyone who believes in Him might have eternal life. That's what I preached, what I still preach and will continue to preach.

Everything the Prosecutor says is untrue; we have the right to write to our government; it isn't a crime for us to write a declaration to the government.

In Moscow a declaration was written to Brezhnev to the effect that we had elected the Council of Churches and asked for recognition of it, and that it should not be hindered in the work for which we had elected it. This request of ours had nothing to do with non-recognition of the legislation.

I'm charged with being at a conference of the Odessa, Kherson and Nikolaevsk regions. Yes, I was there, and we were deciding Church matters. We also wrote a declaration to the government, requesting that they recognize our brethren from the Council of Churches. There wasn't any infringement of the rights of citizens in it. As for the congress, we are still asking for it to be allowed under the leadership of its initiators, although we get no reply.

The March law of 1966,* consolidating Art. 138, part II, has no retrospective power over those things which were done before it was promulgated. But you are charging us concerning a conference which took place in 1965.

The prosecutor has said that we completely reject the legislation. That isn't true; I disagree only with a few points. I didn't influence believers against obeying the legislation on cults, this accusation wasn't confirmed by the witnesses and I deny it. I preached Christ crucified.

The prosecutor said that the celebration on 2 May 1966 was organized under my leadership. Not one of the witnesses confirmed this. How could I have organized it when I wasn't there? I went away to the country about that time.

YA. N. KRIVOI'S DEFENCE SPEECH

"The sun of righteousness will arise with healing in his wings," said the prophet, and the folk proverb says, "Truth is like the sun, you can't cover it up with your hand." I believe in truth, but "Faith is the substance of things hoped for."

20 years ago I was sentenced to 10 years' imprisonment for the same crimes for which I am now standing before the court. Along with me, many were sentenced to 25 years, and some to the supreme punishment.

During that term I worked hard and built two brickyards, for which they let me out ten months early. During my imprisonment and after it the workers and management agitated for us and, as I learned later, truth triumphed and after 20 years I was rehabilitated. And those who were sentenced to 25 years and those who didn't return from prison were also rehabilitated, the latter posthumously.

And now, too, you know perfectly well that I've done no harm to society or to the state.

You are entrusted, comrade Judges, with the fate of a human being.

I'm charged with organizing activity directed against recognition of the Soviet legislation on religion. Nobody confirmed this. I admit that I disagree with some points of the legislation which deprive believers of freedom of conscience.

We have a law about freedom of conscience, and it's forbidden to intrude on another's conscience according to these laws. Our Council of Twenty, which you call a "guiding body," of which I too was a member, lost all power after we were refused registration.

Yes, I was at the conference in Kiev, but there was nothing illegal in the appeal that we adopted there, it was of a purely religious character. We met for a considerable time, and we didn't write to the government until we were disturbed, but the prosecutor states that you don't interefere in our questions of dogma. The election of a pastor is for us a matter of dogma. Nobody should interfere in this. We aren't against control, that's why we always wrote that we live quietly and meet together, and asked to be registered.

I'm charged with distributing appeals among citizens, but which one of them confirmed this?

As for preaching, it's not only Church leaders who can take part in this, but also ordinary members. I'm a preacher and I don't deny it.

I'm charged with organizing the celebration of 2nd May when I wasn't there, because I was doing some plastering for a Christian brother.

The whole trial has confirmed the falsity of the charges against me.

On the basis of the laws of our state I have committed no crime either against society or against the state, But if I suffer as a Christian, I'm ready to wear handcuffs. I've been a believer for 40 years and you can't re-educate me whatever you do, and you won't break me with any threats.

V. I. ALEXEEVA'S DEFENSE SPEECH

I thank the Lord that on this my spiritual birthday I have been counted worthy to sit on the defendants' bench.

Comrade Judges, if faith in God has brought me happiness and my heart is overflowing with Him, do you really think I wouldn't tell people? Even the Constitution grants freedom of conscience. So I told everybody who wanted to listen to me that Christ loves every sinner and that the Lord says today: "Do I desire the death of a sinner, and not that he should turn to me and live?"

As for the distribution of literature, I want to say that when this trial is over it will be published in the paper, and we too have the right to write to the government and to our friends in the Church.

For example, I distributed the "Kiev Declaration" which reports certain unjust incidents. If these had not occurred, there wouldn't have been any declaration either.

Secondly, when the article "Prophets and Victims" came out, filled with slander and unjust accusations against the believers Kryuchkov and Vins, the mother of one of them, who was well acquainted with her son's life and had followed it carefully, wrote a declaration to the government in which she refuted the injustice of this article. That was the reason for that letter. Our declarations concern only our Christian life.

I'm charged with going to Moscow, where I was a delegate from the congregation at Peresyp. We're Soviet citizens and every year we cast our votes for those who are to guard our constitutional rights and we have the right to turn to them with our declarations.

For our part we render unto Caesar what is Caesar's and unto God what is God's.

Comrade Judges, you charge me with organizing the distribution of literature and with inciting believers not to obey the legislation on cults. In the course of this trial all these charges have been refuted. The Council and all the congregations that support it, including ours. I consider to be legal, since we have appealed to the authorities many times and still do with requests for registration. But up to now our declarations have been ignored.

Our methods and our actions are open for all to see. The Word of God says: "The way of the just is uprightness" (Is. 26:27).

Pascal said: "Woe to those who do not know their life's aim." Our aim in life is to fulfill the commands of Christ. The first commandment is: "Thou shalt love the Lord thy God" and the second: "Thou shalt love thy neighbour as thyself". If we fulfill these commandments, we don't break state laws in so doing; on the contrary, wherever we can we try to help and give good advice. In the Holy Scriptures it says: "There is no other name under heaven by which men may be saved except the name of Jesus Christ".

N. P. SHEVCHENKO'S FINAL ADDRESS

In 1962 I was sentenced to 4 years imprisonment and 3 years exile for not obeying the "Letter of Instructions" and the Baptist Statutes, for making my home available for prayer meetings, for baptizing believers.

I served 2 years and 7 months in prison, after which I was rehabilitated for lack of criminal evidence. I was re-instated at work and paid a pension for the time in prison.

After my release I worked for 4 months and because I went to Moscow with an appeal to the government I was again suspended from work.

Was anyone responsible for all this?

I stand again before a court, accused of the same thing.

You charge us with slander of the press. I won't touch on the article "Prophets and Victims" in the central paper *Izvestia*—Solovyova has already talked about that; but I want to mention our local paper, *Chernomorskaya Kommuna*, which carried an article saying that believers in the village of Usatovo, Odessa Region, burnt down a house and an old woman in it, as if to say that they made a ritual sacrifice of her. Anyone who wants to look into it can find out for himself that this is a lie, everybody in Usatovo knows the believers.

I was born and brought up in that village, I know everybody there—there isn't even an old woman of that name.

Even now I can't understand how they could pass something like that in a newspaper—to write about something absolutely fictitious. It's just done to arouse popular hatred against believers.

I have no doubt that you're capable of writing a slanderous article about us, too.

JUDGE. That has nothing to do with the case—keep to the point.

SHEVCHENKO. What do you mean, it has nothing to do with the case, when we're accused of slandering the press?—the fact is it's the other way round: you write slanders about believers.

JUDGE. (interrupts) . . .

SHEVCHENKO. I accept this imprisonment with joy, as did the apostle Peter; when they wanted to crucify him he said, I'm not worthy to be crucified like my Teacher, Christ—crucify me upside down" . . .

JUDGE. (interrupts) . . .

SHEVCHENKO. Comrade Judges, I'm not asking you for mercy, but the fate of many people is in your hands, you are expected to judge justly. When King Solomon was entrusted with the judging of the people, he asked the Lord for wisdom.

JUDGE. (interrupting) We're not interested in Solomon.

SHEVCHENKO. "Be wise now therefore, O ye kings; be instructed, ye judges of the earth" (Ps. 2:10).

JUDGE. Sit down, Shevchenko.

G. G. BORUSHKOS' FINAL ADDRESS

I came to Odessa when I was 18. By 1958 I had done two years of higher education and I decided to enter the Medical Institute, but since you had to have three years behind you for this, I decided to try and get into the State University. I went there as a production worker in biological faculty.

And it was there, while I was studying science, that the question of religion came to me in a completely different light. I realised that the greatest scientists, the pillars of science, like Kepler, the discoverer of the laws of planet motion, Newton, discoverer of natural laws relating to the earth, the naturalist Linnaeus, who gave us the classification of the whole animal and plant world, the mathematician Euclid, physician and mathematician Pascal, our first Russian universalist Mikhail Lomonosov, Copernicus, and in our own time, Filatov, Voino-Yasenetsky and others, had been men of profound religious faith. Therefore I decided to find out myself a definitive answer to the question: does God exist or not—that is, should I be a believer or not? At that time I read the Bible a lot and I came through strong doubts to faith in God. My atheism and unbelief were based on an ignorance of the Bible. I particularly liked the Gospels.

But however strange it may seem, it was just at that time that I went through a most intense inner struggle and uncertainty. I looked at the Bible . . . it was through not knowing it that people didn't believe. I remember during a conversation in the institute, the Vice-Dean said to me: "The Bible says the world stands on three whales". I asked her: "Did you read that yourself?" and she was uncomfortable because she was a scientist but she'd never read the book that so much has been spoken about in

*Tightening up on the production of religious literature and public acts of witness, as well as being even more specific than before on the outlawing of Sunday Schools.

every century, the book that people base their lives on, and for which they will give their lives. (The judge interrupts: "Don't start making propaganda").

Well, I liked the Gospels, but I couldn't find in myself the strength to live them out until I realised that to do this you had to be born again, that is, to accept Jesus Christ in your heart—and I turned to Him.

"With His holy freedom
He took the chains from the soul, torments from the heart,
And stains from the guilty conscience" . . .

At that time occurred the first persecutions, but this was according to Christ's words; it ended with my being expelled from the institute, but I had already decided on this path:

Whoever wants to bear the cross once
Will be crucified forever,
And whether there is happiness in life
He will be happy in eternity.

You are appointing us to suffer, but in fact this is preordained by God, for not a hair of our head falls to the ground without His will.

Suffering is Christianity's vital nerve. The Church is alive as long as it suffers, for Christ suffered and called us to do likewise.

I'm an optimist—in other words I believe that if things are bad today, they'll be better tomorrow; if they sentence you today, they'll acquit you tomorrow; if injustices meet you on earth today, tomorrow there'll be justice.

Such a dialectic, if it isn't confirmed on earth, will still triumph in heaven, as it's written: "According to the promise we wait for a new earth and a new heaven in which righteousness dwells."

JUDGE: Borushko, have you any more quotations?

BORUSHKO: Yes I have.

"I want to walk in such a way
That my weary brother
Should hear the rhythm of my steps
And be shaken out of his slumber and inspired
To step out more quickly towards the sacred vision.
That my step should convince the unfaithful
Of the holy, blessed truth,
And that day by day the ranks of warriors
On the way to the goal should be filled with brothers
Whom God's Spirit has awakened to life.
I want to walk so that the children of paradise,
The angels in heaven, should draw men's hearts
And in joyful praise, blessing my path,
Should sing a hymn to the Saviour of the world.
Their praise is poured out at God's throne
Poured out unchanging in sacred harmonies.
In its precious beauty
It has drawn so many sinners to God.
And today the angel choir is not silent . . .
When history's course is run,
To Him who went His way without turning back
Will sound their hundredfold hymn of praise."

V. T. TIMCHAK'S FINAL ADDRESS

I've been a Christian since childhood. My mother brought me up as a Christian from my early childhood, and I am before you today on the defendants' bench as a Christian. Yes, I believe in God, and the Word of God says that it is given to us not only to believe in Him but also to suffer for Christ. I am happy that I have the chance to carry out these words of Christ, one thing I know—He will never leave me. Christ Himself bore sufferings and has never left His followers who have trodden the same path. And I rejoice in this lot—to suffer for Christ. Many of my brothers have been unjustly sentenced and later rehabilitated and I know that you are trying us today, but tomorrow we will be rehabilitated, for lack of criminal proof. Then those who today are asking for these terms of imprisonment will be ashamed.

Many of our brethren have already gone the way of suffering in faithfulness to our Lord, but the Word of God says: "Regarding their end, imitate their faith".

And now today you are separating us from our relatives and loved ones, but I believe that we will meet again on earth, and in eternity we will receive for all our sufferings a joy that will have no end, when we meet our Saviour.

V. M. ZABORSKY'S FINAL ADDRESS

Before I came of age, I decided to leave home so as not to hear about God. I signed up and went to Novosibirsk. They didn't want to take me, but I persuaded the official. They understood my circumstances and did it as a favour.

In a worldly atmosphere I learned to swear like a trooper.

I was soon called up. There among my friends I was the most active composer and teller of dirty stories and I always found a circle of friends to listen. Nobody could beat me at it. I didn't drink wine or vodka there, I only drank some stuff that had a skull and crossbones on the bottle—it's called methylated spirits. I was summoned before a military tribunal to explain my way of life.

It was there, walking on the bank of the Amur, that I remembered the words of my mother: "Son, when you get into trouble, remember God." And then I took off my soldiers' cap and said: "Lord, if you save me from this trial, then from this moment on I'll be your preacher". And it all worked out. There was a complete change in my life. I became a new man, people began to be grateful to me. I was put in charge of a group but without any rank. Then the men began to get interested in me, when they saw that I no longer joined with them in their former bad ways; I was sumoned by the officers, from the lowest to the highest. The commander summoned me and after some inconclusive conversation, he suggested: "If you deny God, we'll give you rank, you'll get more money".

"I've got a rank higher than commander of a regiment".

"What's that?"

"As a Christian," I answered.

Soon they summoned me again and said:

"You know that your faith is a relic of capitalism?"

"You're wrong about that. Our faith existed under Nero and the Roman Empire before capitalism came, it's existed under capitalism, it exists under socialism and, if God wills, it'll exist under communism".

They asked me to go, and when I was summoned again they said:

"You know, Zaborsky, that spies conceal themselves under the mask of your fatih "

"I can't argue about that, because I've never heard such a thing before—but practical experience has shown that spies can get through the Party net, but not through the religious one—Beria for example, and Penkovsky."

A bit later the commanding officer summoned me and said:

"Listen Zaborsky. We had a soldier once who wore a cross round his neck. We had a talk with him and he took it off, put it on the table and said: 'Give me a *Komsomol* card'."

I'd do that too, but my God isn't on a crucifix, but in my heart. I can't put Him on the table—to do that I'd have to tear out my heart, in other words stop living, which is impossible. Later, I was demoted to be a reservist. The deputy political officer said:

"Well, Zabrosky, off you go now with your God."

"Exactly, comrade major."

"Goodbye, you block-headed Baptist, just go on the way you are doing".

Then I came to Odessa, I was baptized and became a member of the Peresyp Church. I went to the meetings at the prayer house for two years, but after it was closed I and my brothers and sisters met during the cold winter of 1958 outside the wall of the closed prayer house. When our prayer house was given to the poultry farm to use, we tried to meet in flats. That's what we've done up to now. It was only in the summer of 1966 that I found out about the existence of the Soviet legislation on religion, which prohibits Gospel teaching and Lenin's decree. On the basis of this legislation the "Statute" and the "Letter of Instructions" were issued back in 1960, which led to the great and visible schism in the Church. Believers were in such a situation that they had to violate something—either man's or God's law.

(The judge interrupts). It is precisely for this reason that I stand before the court today, as a Christian.

Judge: (to the police) Please restore order.

(Three policemen quickly go up to Valya and make her sit down).

SENTENCE

SHEVCHENKO, Nikolai Pavovich,
BORUSHKO, Grigori Grigorievich,
KRIVOI, Yakov Nikiforovich,
SOLOVYOVA, Svetlana Pavlovna,
ALEXEEVA, Valentina Ivanovna,
Sentenced to 3 year's imprisonment in ordinary regime camps.

TIMCHAK, Vasili Terentievich
ZABORSKY, Viktor Mikhailovich
Sentenced to 1 year's imprisonment in ordinary regime camps.

Mr. HELMS. Mr. President, it is my understanding that the manager of the bill is willing to accept this amendment.

Mr. PACKWOOD. I wanted to ask one question, if I may. In the reading of it, I thought he said "any country—as defined in section 620(f)." My understanding was any country, period. I am not sure what is specified in that section.

Mr. HELMS. That section lists the countries that may be involved in involuntary servitude.

Mr. PACKWOOD. I wonder if I might suggest the absence of a quorum.

The PRESIDING OFFICER. On whose time?

Mr. PACKWOOD. On the time on the bill.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PACKWOOD. Mr. Preisdent, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. PACKWOOD. I yield to the Senator from North Carolina.

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

The PRESIDING OFFICER. The Senate come to order. Will the Senators please take their seats before we proceed?

Mr. ROBERT C. BYRD. Will the Senator yield to me briefly for a unanimous-consent request?

Mr. HELMS. Yes, I yield.

HEALTH PROFESSIONS EDUCATIONAL ASSISTANCE ACT OF 1974 — UNANIMOUS CONSENT AGREEMENT

Mr. ROBERT C. BYRD. Mr. President, this request has been cleared with the Republican leadership and with the Senators on my side of the aisle.

I ask unanimous consent that at such time as S. 3585, the Health Professions Educational Assistance Act of 1974 is called up and made the pending question before the Senate, there be a time limitation on the bill of 6 hours to be equally divided between Mr. KENNEDY and Mr. JAVITS; that there be a time limitation on a substitute by Mr. BEALL of 6 hours; that there be a time limitation on any other substitute of 2 hours, if offered; that there be a time limitation on any other amendment of 1 hour; that there be a time limitation on amendments to amendments, debatable motions or appeals, of 30 minutes; and that the agreement be in the usual form, with the further proviso that Mr. BEALL may have until midnight Friday to offer his substitute and have it printed.

Mr. PROXMIRE. Will the Senator yield?

Mr. ROBERT C. BYRD. Yes.

Mr. PROXMIRE. The usual proviso excludes any nongermane amendments and this has been very, very strictly construed. This is the health bill, I have an amendment that has been printed, it is at the desk, and I would ask that amendment be qualified.

Mr. GRIFFIN. Mr. President, would the Senator from Wisconsin describe his amendment, indicate what it is?

Mr. PROXMIRE. Yes; the amendment deals with the FDA's ruthless attitude toward people who would sell vitamins.

I have 47 cosponsors on that amendment.

Mr. PASTORE. Sell what?

Mr. PROXMIRE. Vitamins.

I think it is an amendment whose time has come.

Mr. HUMPHREY. If the Senator will yield, I compliment the Senator.

Mr. PROXMIRE. I thank the Senator.

Mr. HUMPHREY. I join in the defense of vitamins. I take them, I feel good.

Mr. PROXMIRE. The Senator is the best example I know of for their efficacy.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. PROXMIRE. Would the Senator from West Virginia qualify my amendment?

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the amendment by Mr. PROXMIRE be in order regardless of whether or not it is germane.

The PRESIDING OFFICER. Is there objection to the unanimous consent agreement? The Chair hears none.

Without objection, it is so ordered.

The text of the unanimous-consent agreement is as follows:

SEPTEMBER 19, 1974.

Ordered, That during the consideration of S. 3585, the so-called "Health Professions Educational Assistance Act of 1974," debate on any amendment (except an amendment in the nature of a substitute to be offered by the Senator from Maryland (Mr. Beall), on which there shall be 6 hours debate, and any other amendment in the nature of a substitute for the bill, on which there shall be 2 hours debate) shall be limited to 1 hour, to be equally divided and controlled by the mover of such and the manager of the bill, and debate on any amendment in the second degree, debatable motion or appeal shall be limited to 30 minutes, to be equally divided and controlled by the mover of such and the manager of the bill: *Provided*, That in the event the manager of the bill is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the Minority Leader or his designee: *Provided further*, That no amendment that is not germane to the provisions of the said bill shall be received, except an amendment to be offered by the Senator from Wisconsin (Mr. Proxmire), which may or may not be germane.

Ordered further, That on the question of the final passage of the said bill, debate shall be limited to 6 hours, to be equally divided and controlled, respectively, by the Senator from Massachusetts (Mr. Kennedy) and the Senator from New York (Mr. Javits): *Provided*, That the said Senators, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

ORDER OF BUSINESS TODAY—ANNOUNCEMENT OF INTENTION TO ADJOURN UNTIL MONDAY NEXT

Mr. ROBERT C. BYRD. Mr. President, will the Senator from North Carolina yield to the majority leader for an announcement?

Mr. HELMS. I yield.

Mr. ROBERT C. BYRD. Mr. President, I am authorized by the distinguished majority leader to state that the Senate will remain in session today until the pending business is completed, and by virtue of the agreement having been entered into which has just been consummated, the Senate then will go over until Monday at 12 noon.

I thank the Senator.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. HELMS. Mr. President, the managers are willing to accept my amendment.

The PRESIDING OFFICER. The Senate will please come to order. Will Members take their seats? Members of the staff take their seats and Senators will take theirs.

The Senate is still not in order.

The Senator from North Carolina.

Mr. HELMS. Mr. President——

Mr. MAGNUSON. Will the Senator yield, to allow me or the Senator from Rhode Island to ask the Senator from West Virginia a question?

The PRESIDING OFFICER. Will the Senator yield?

Mr. MAGNUSON. The last unanimous consent announcement, no one could hear, we could not even see, let alone hear.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. HELMS. Yes.

Mr. ROBERT C. BYRD. May I say in response to the distinguished Senator from Washington that I announced on behalf of the majority leader that in view of the fact that the Senate had entered into the agreement on the health services bill that the Senate would therefore stay in session today until the pending matter is disposed of, upon which further condition the Senate would then go over until 12 o'clock on Monday.

Mr. PASTORE. Will the Senator yield?

Mr. ROBERT C. BYRD. Yes.

Mr. PASTORE. I want to congratulate the Senator, but can we determine just how many amendments we have and just about how long we might be here?

Mr. ROBERT C. BYRD. May I ask Senators to raise hands if they have amendments?

Five, and we have a time limitation on each of six amendments of 30 minutes, to be equally divided, which hopefully will not be used. There is a time limitation on the amendment of Mr. PROXMIRE of 1 hour, which hopefully will not be utilized.

Mr. PASTORE. So we may be here until 10 or 11 o'clock tonight?

Mr. ROBERT C. BYRD. I doubt it.

Mr. BIDEN. Will the Senator yield?

Is there any estimate on the part of any of these about amendments that can take an hour, take half an hour?

Mr. ROBERT C. BYRD. May I say to the Senator, we will work on each amendment, one at a time, case by case, to see if we can cut time on them.

EXPORT-IMPORT BANK AMENDMENTS OF 1974

The Senate continued with the consideration of the bill (S. 3917) to amend and extend the Export-Import Bank Act of 1945, as amended, and for other purposes.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. PASTORE. May I ask a question of the Senator from North Carolina?

Mr. HELMS. Yes, sir.

Mr. PASTORE. Do I understand the Senator's amendment to mean that we are against slavery?

Mr. HELMS. It means that the U.S. taxpayer ought not to be forced to furnish money for loans to countries that practice slavery.

Mr. PASTORE. I am for it.

Mr. HELMS. I am glad to hear it.

Mr. President, I have no further comment.

Mr. STEVENSON. Mr. President, we are prepared to accept the amendment and take it to conference.

I am prepared to yield back the remainder of my time.

Mr. AIKEN. Will the Senator yield and give us the correct definition of "involuntary servitude"? Why is it restricted only to Communist countries?

Mr. HELMS. I did not understand the Senator's question.

Mr. AIKEN. The amendment is directed to Communist countries, involuntary servitude.

Mr. HELMS. I will say to the distinguished Senator, we modified the amendment to resolve what I anticipate will be the Senator's next question.

Mr. AIKEN. That covers the United States, too, then.

Mr. HELMS. Yes.

Mr. AIKEN. All right, that is fine.

The PRESIDING OFFICER. Did the Senator from North Carolina yield back his time?

Mr. HELMS. I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on the amendment of the Senator from North Carolina (Mr. HELMS).

The amendment was agreed to.

The PRESIDING OFFICER. The Senator from Washington.

Mr. JACKSON. Mr. President, I yield to the distinguished assistant majority leader.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that time on any remaining rollcall vote today be limited to 10 minutes with the warning bells to be sounded after the first 2½ minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. JACKSON. Mr. President, I call up my unprinted amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

At the appropriate place in the bill insert the following:

ADDITIONAL DIRECTOR

SEC. —. Section 3(c) of the Export-Import Bank Act of 1945 is amended—

(1) by striking out "three" in the first sentence and inserting in lieu thereof "four";

(2) by striking out "five" in the second sentence and inserting in lieu thereof "six"; and

(3) by inserting after the second sentence the following: "One of the members of the Board shall be appointed from among persons who are representatives of or affiliated with one or more labor organizations.".

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that time on this amendment be limited to 15 minutes, to be equally divided in the usual form.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The Senator from Washington.

Mr. JACKSON. Mr. President, the amendment I am proposing is simple. It would add one additional statutory member to the Board of Directors of the Bank. It further specifies that this additional members shall be appointed "from among persons who are representative of or affiliated with one or more labor organizations."

Mr. President, one of the principal issues that the Board of Directors of the Bank must face as it considers loan applications is whether financing the transaction will lead to the export of American jobs. This is particularly true where the export of productive capability—plant and equipment—is involved, as it is increasingly in the operations of the Bank. The addition to the Board of a member with labor experience will help to assure that this consideration is given sufficient weight early in the Board's consideration of each transaction. It will help to correct the communications gap that has developed between the Bank and the trade unions; it will foster a spirit of understanding and cooperation.

Mr. President, I would hope the amendment will be accepted.

Mr. PACKWOOD. Mr. President, I will accept the amendment.

Mr. STEVENSON. I will accept the amendment.

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

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

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Washington. (Putting the question.)

The amendment was agreed to.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. BARTLETT. Mr. President, I send to the desk my unprinted amendment, as modified, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment, as modified, will be stated.

The legislative clerk read as follows:

At the end of the bill add the following new section:

Title 12, United States Code, section 635 (b), is amended by adding a new subsection (6) as follows:

"(6) The bank shall not guarantee, insure or extend credit, or participate in any extension of credit to any foreign country, agent, national or business organization thereof, in connection with the purchase or lease of any product which is necessary for the production, refining, and transportation of oil and/or gas and which has been determined by the National Advisory Council in consultation with the FEA and the Department of Commerce to be in short supply and with such exception as the President may determine necessary.".

The PRESIDING OFFICER. The Senate will be in order.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that time on the amendment by Mr. BARTLETT be reduced to 10 minutes, to be equally divided in accordance with the usual rule.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BARTLETT. Mr. President, I think the amendment speaks for itself. I would merely says that Mr. Casey of the Eximbank testified before the Interior and Insular Affairs Committee that there were a number of drilling rigs and a number of strings of tubular goods that were financed by the Eximbank. This flies right in the face of the efforts to increase the sufficiency of energy in this country.

Therefore, I think this amendment will be very helpful to achieving energy self-sufficiency.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. PACKWOOD. Mr. President, I wanted to ask him a question, but I just found out the answer.

The PRESIDING OFFICER. Who yields time?

Mr. PACKWOOD. I am prepared to accept the amendment.

Mr. STEVENSON. I have discussed this amendment with the Senator from Oregon. We are prepared to accept it and yield back the remainder of our time.

The PRESIDING OFFICER. Does the Senator from Oklahoma yield back the remainder of his time?

Mr. PACKWOOD. I do.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment, as modified, of the Senator from Oklahoma. (Putting the question.)

The amendment, as modified, was agreed to.

The PRESIDING OFFICER. The Senator from Oregon.

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

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

RELATIONSHIP TO THE TRADE REFORM ACT

SEC. 13. Until such time as the bill H.R. 10710, cited as the Trade Reform Act of 1973, is approved by the Congress and signed into law by the President, no loan, guarantee, insurance, or credit shall be extended by the Export-Import Bank of the United States to the Union of Soviet Socialist Republics.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. HUMPHREY. Mr. President——

The PRESIDING OFFICER. Will the Senate please come to order?

Mr. HUMPHREY. These amendments are very important. If anybody knows what we are doing around here, it will be one of the great revelations of all time. I suggest that we have some order here. We are talking about a bank that does billions of dollars worth of business. God himself is the only one who knows what we are doing here, and He is not telling us.

The PRESIDING OFFICER. The Senator's point is well taken. Will the members of the staffs please take their seats and also the Senators? Will each Member of the Senate please take their seat.

The Senator from Oregon.

Mr. PACKWOOD. Mr. President, as the Senate is quite aware, one of the controversies that this country has been involved in over the past year is the emigration of Soviet Jewry. It is one of the issues that has tied up the trade bill for an extensive period of time. I am a supporter, with Senator JACKSON and others, of the amendment that would prohibit the extension of most-favored-nation status for Russia unless they are willing to admit to free emigration. This particular amendment that has been offered here is very substantive. It simply says that until the trade bill that is now before Congress passes, there will be no extension of export-import credits to Russia, period. That is the end of the amendment. That puts, we hope, the burden on Russia to be willing to open up the emigration for Soviet Jewry, because it is the one stumbling block left, and that we can reach a reconciliation of that impasse.

If they are not willing to reach a reconciliation, then they will have no extension of credit from the Export-Import Bank, period. That is the amendment, pure and simple.

The PRESIDING OFFICER. Who yields time?

Mr. STEVENSON. I am prepared to accept the amendment.

Mr. HARRY F. BYRD, JR. Mr. President, I commend the Senator from Oregon, and I am glad to support the amendment.

Mr. PACKWOOD. Thank you.

Mr. STEVENSON. If there is no opposition to the amendment, I am prepared to yield back the remainder of my time.

Mr. BUCKLEY. Will the Senator from Oregon list me as a cosponsor to that amendment?

Mr. PACKWOOD. Mr. Presdent, I would like to list the Senator from New York (Mr. BUCKLEY), the Senator from Connecticut (Mr. RIBICOFF), and the Senator from New Jersey (Mr. CASE) as cosponsors of this amendment.

I am prepared to yield back the remainder of my time.

The PRESIDING OFFICER. All time on the amendment having been yielded back, the question is on agreeing to the amendment of the Senator from Oregon. (Putting the question.)

The amendment was agreed to.

The PRESIDING OFFICER. The Senator from Wisconsin.

AMENDMENT NO. 1860

Mr. PROXMIRE. Mr. President, I call up my amendment No. 1860 and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

At the end of the bill add the following new section:

SEC. 13. Section 2(a)(2) of the Export-Import Bank Act of 1945 (12 U.S.C. 635) is repealed.

Mr. PROXMIRE. Mr. President, what this amendment would do would be to put the Export-Import Bank back in the Federal budget, and subject it once again to annual expenditure and net lending limitations. It never should have been taken out of the budget. I think it is clear on the basis of the debate we have had so far that it should be back in the budget. It should compete with all other Federal programs for limited funds.

Mr. President, I ask that the Senator from Florida (Mr. CHILES) and the Senator from North Carolina (Mr. HELMS) be added as cosponsors.

I opposed the action taken in 1971. In light of subsequent developments I believe it is essential that we reconsider the question of exempting the Export-Import Bank from the Federal budget. No Federal program should be excluded from the budget. The whole purpose is to place all Federal programs—loans and direct expenditures— in competition with one another—the limited supply of funds available in any fiscal year, so that national priorities can be set and resources allocated in the most efficient way.

Taking a program out of the budget removes it from the discipline of the budgetary process. In effect, it gives that program a higher priority than all the other programs which remain in the budget. I see no reason to single out Eximbank loans for such favorable treatment when other Federal loan programs for desirable purposes, such as housing lower income people or aiding small businesses, are included in the budget and subject to the restrictions thereby imposed.

Keeping the Export-Import Bank out of the budget totals does not alter its real impact on the budget and on the economy as a whole. It simply conceals that impact. Moreover, it permits the Bank to expand its lending and borrowing activities almost without limit, which drives up interest rates and diverts credit resources away from domestic needs, such as housing and business investment.

Excluding the Bank's disbursements and receipts from the budget understates the budget deficit. The deficit impact of the Bank has increased sharply in the years since it was taken out of the budget—rising from $145 million in fiscal year 1972 to $498 million in fiscal year 1973 to the fiscal year 1974 figure of $1.18 billion. Mr. President, the Banking Committee considered this, and only by an 8 to 7 vote did it decide not to put it in the budget. GAO officials have testified that with additional expansion planned—expansion made possible in large degree by the release from budget constraints—the deficit impact of Eximbank spending could easily mount to billions of dollars.

The Comptroller General says it ought to be in the budget. The Chairman of the Federal Reserve Board, Arthur Burns, has made his position very clear—that it is a serious mistake to exclude the Bank from the budget. Of course, nobody is more expert or authoritative on monetary policy or the impact of borrowing on our economy and on limited credit resources than the Chairman of the Federal Reserve Board. He has the respect of all of us.

How can we control Federal spending, how can we fight inflation, if we permit an agency which in effect adds over a billion dollars a year to our budget deficit to remain outside of the budget process—free from the discipline imposed by OMB budget review, and in particular, free from adequate congressional control.

Mr. President, I want to speak further about this matter, but it is my understanding that the Senator from Idaho has an amendment he would like to offer, which may be accepted by the committee. In order to accommodate him and in order to accommodate the committee, I ask unanimous consent that my amendment be set aside temporarily while the Church amendment is considered.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

AMENDMENT NO. 1871

Mr. CHURCH. I thank the distinguished Senator from Wisconsin for his courtesy.

Mr. President, I call up my amendment No. 1871.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

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

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

The amendment is as follows:

At the appropriate place in the bill insert the following:

The President of the Export-Import Bank shall transmit to the Congress a special message with respect to any proposal for Bank assistance for the purchase, lease, or procurement of any product or service which in any Communist country (as defined in section 620(f) of the Foreign Assistance Act of 1961) involves (a) research, (b) exploration, or (c) production of fossil fuel energy resources. The Bank in the exercise of its functions shall not guarantee, insure, or extend credit, or participate in any extension of credit, in connection with any such purchase, lease, or procurement unless the Congress shall by concurrent resolution first approve the same.

Mr. CHURCH. Mr. President, during the course of the hearings of my Subcommittee on Multinational Corporations, we have had occasion to explore two proposals that are in the advanced state of negotiation between a consortium of large multinational oil companies and the Soviet Government. If these negotiations work out as planned, we face the possibility of financing, through the Export-Import Bank, two immense projects, the first being the North Star liquefied natural gas project and the second being the Yakutsk project, which would involve billions of dollars.

Our examination of these two projects convinced the subcommittee that everything was wrong with them that could be wrong.

First of all, all the risk capital would be extended either through the Export-Import Bank directly, or indirectly through guaranteed loans; 90 percent of the total would be public money. If the Soviet Union, in which most of these facilities were to be constructed, developing both oil and natural gas, reneged on its agreement, it would not be the private companies that would stand to lose but, rather, the taxpayers, through the guarantees extended by the Export-Import Bank.

Second, we discovered that if we were to go forward with these projects, it would impose a very serious demand upon equipment and expertise that is presently in short supply in the United States.

Mr. President, the amendment requires affirmative congressional approval of Export-Import Bank financing of equipment or expertise for the exploration and production of fossil fuel energy resources in any Communist country. The amendment is necessary because of the unique economic and diplomatic importance of oil and gas projects in today's world.

Careful examination of the proposed financing for Siberian oil and gas projects convinces me that we must make an exception in this case to the general principle that Congress should give broad policy guidelines and leave case decisions to the executive branch. The Amercan taxpayers are now being asked

to underwrite the financing of oil and gas equipment to Communist countries at a time when the equipment and expertise is in short supply here in the United States. American companies wanting to increase domestic reserves and production are now wait-listed for the equipment. The waiting time for drilling rigs and bits is several years. If we are serious about wanting to decrease American dependence on foreign energy supplies, it is folly to subsidize Soviet purchases of the very equipment we need to do it.

The Subcommittee on Multinational Corporations heard testimony about the North Star and Yakutsk projects to develop Siberian natural gas. The companies involved claim that they are taking great financial risks to secure foreign sources of natural gas for the U.S. consumer. But a closer examination of these projects shows that the real risk taker will, as usual, be the U.S. taxpayer. The U.S. companies which are negotiating these projects ask that 90 percent of the facilities to be constructed in the Soviet Union will be financed by Export-Import Bank credits and guarantees, amounting to $4 billion. That is 10 times the present Eximbank exposure on sales to the Soviet Union. The only financial stake the private companies will have in these ventures is the LNG tankers and the regasification plants located in the United States—facilities which could easily be transferred to other uses, should the Russians choose to renege on their contractual obligations.

These credits are to be repaid by the Russians over a 12- to 15-year period, through the sale of natural gas to the United States in volumes that would leave the east and west coast markets dependent on the Soviet Union for as much as 10 to 15 percent of their demand for natural gas. And the price of this Russian gas is expected to be at least three times higher than the present price of domestically produced gas.

The Soviet request for $49.5 million in Eximbank credits currently pending for the Yakutsk project is for exploration to prove that there are sufficient gas reserves in Siberia to justify laying pipe and building LNG port facilities. The Export-Import Bank and the companies involved claim that participation in the exploration phase in no way implies a commitment to go ahead with the actual development phase requiring $900 million in additional Eximbank commitments. But it hardly makes sense to pour scarce capital and equipment into exploration and then not go ahead with development once adequate reserves are approved.

Therefore, this $49.5 million request is most likely only the opening wedge to a much larger Eximbank commitment, but would allow the companies to circumvent the $50 million limit provided in the "congressional veto" section of the Banking, Housing and Urban Affairs Committee bill. In my judgment, there must be an absolute requirement of congressional approval for Export-Import Bank assistance for the purchase or lease of any equipment or service relating to exploration for, or production of, fossil fuel energy resources in Communist countries.

The amendment which we have before us today provides for such congressional approval.

I should think, Mr. President, after our recent experience with oil embargoes in the Middle East, there would be no disposition in Congress to approve elaborate developmental projects of oil and gas inside the Soviet Union, financed through the public credit of the United States.

It is true that there are provisions in this bill which would require a certain amount of congressional surveillance for loans above $50 million. But even these provisions do not reach the proposed Yakutsk project, since the initial stage of that project involves $49.5 million in Export-Import Bank credits, which will be used to do the initial exploration work to determine whether these natural gas reserves are there in sufficient magnitude to justify the project.

I submit that once we have put in nearly $50 million to ascertain whether or not the reserves are there, it will then be said that we have committed ourselves and that in order to avoid the waste of this money, we should then go forward with the rest of the money entailed in the development project itself.

So, in effect, the present provisions of the bill do not reach these particular projects. I think that the importance of our own effort to achieve a larger measure of self-sufficiency in fuel supplies, plus the obvious risks here that are being assumed not by the private companies but by the Federal Government, through the Export-Import Bank, make these projects so questionable and so contrary to professed policies of this Government in terms of self-sufficiency in fuel supplies that we should make an exception of loans in the credits to be extended for the purpose of developing fossil fuels inside the Communist countries.

That exception should require the advance consent of Congress. That is the purpose of this amendment. It merely will assure us that before any such deals are entered into, Congress first has an opportunity to review and scrutinize the proposal and to give its consent before the money is committed to the project in question.

I think this is a wise precaution; given the importance of our own effort to achieve self-sufficiency, it is fully justified.

I hope for these reasons, the managers of the bill will find it possible to accept the amendment.

Mr. STEVENSON. Mr. President, there are a couple of points I should like to clarify in connection with this amendment.

In the first place, the Senator from Idaho said that the bill subjected $50 million transactions to the approval of Congress. That provision has been changed to require prenotification to Congress by the Bank of all transactions, including those guaranteed anywhere in the world, to $60 million or more.

Mr. CHURCH. That is what I meant to say with reference to the provision in the bill.

Mr. STEVENSON. There is one point about that that I should like to have very clear in the RECORD, if we have not made it clear in the bill. It is not contemplated that that $60 million prenotification requirement can be evaded by dividing up a large transaction into small parts. That requirement applies to all of the parts, the aggregate.

That being the case, I believe it would apply to the Yakutsk transaction, to which the Senator referred.

Nevertheless, the bill deos not require the congressional approval which the Senator requires in his amendment. My concern is not over the applicability of congressional approval to large Yakutsk-like transactions, but to smaller transactions which might be picked up by the broad language of this amendment. It speaks of any product or service which involves research, exploration, or production of fossil fuel energy resources.

I think, first of all, that it ought to be made clear in the RECORD—perhaps it is already—that by reference to research and exploration the Senator refers to research or exploration in connection with the development or the production of fossil fuel energy resources, not to other activities. Is that correct?

Mr. CHURCH. The Senator is correct.

Mr. STEVENSON. Then I wonder if the Senator would clarify his intent by suggesting why this would not pick up and subject to prior congressional approval every U.S. export of a Caterpillar tractor or a truck or a piece of pipe, or some small commodity which might be used in connection with exploration or production of fossil fuel energy resources.

A computer, for example, could be used for research on fossil fuels as well as on other matters. A truck could be used in connection with oil exploration and perhaps for other purposes. Are they not all caught up by the broad language of this amendment?

Mr. CHURCH. I really think that if the amendment is read in context, as a whole, this problem should not arise. The amendment speaks of the requirement, first of all, to transmit to Congress a special message in respect to any proposal for Bank assistance for the purchase, lease, or procurement of any product or service which, in a Communist country, involves research, exploration, or production of fossil fuel energy resources. I think if that sentence is taken as a whole, it is clear that the requirement is to transmit to Congress a special message with respect to any proposal to use this credit of the Bank for the purpose of doing research or exploration or production of fossil fuel energy resources.

I really do not think that the happenstance that a truck which is purchased might be used later in Russia in connection with the development of an oil well there falls within the scope of the language. The language relates to a pro-

posal, and the proposal is for the exploration and the conducting of exploration work in connection with the production of fossil fuel energy resources.

Mr. STEVENSON. Is it not the Senator's intention to subject to Senate approval a proposal for, let us say, the financing of Caterpillar tractor exports which might very well be used, if not full time, partly on fossil fuel production or exploration?

Mr. CHURCH. As the Senator knows, there is no effective way to follow the uses to which trucks or tractors may be put once they are purchased. We have enough difficulty trying to ask our own allies, to whom we furnish large quantities of weapons at our own expense, not to use those weapons for purposes of which we disapprove. In fact, we cannot succeed.

It is not the object of this amendment to try to follow the end uses to which the trucks or tractors in the Senator's example are put. Rather, it is the intention to require prior congressional consent for the financing of any proposal having to do with the development of fossil fuel resources inside a Communist country.

Mr. STEVENSON. By that the Senator intends to subject to prior congressional approval large development projects. You mentioned the Yakutsk project as an example.

Mr. CHURCH. Exactly so. I think the legislative history made on the floor tonight is very helpful to clarify the purposes of the amendment.

Mr. STEVENSON. I think with that purpose of the amendment made clear—that it is intended to subject the large Yakutsk-type project for the exploration and the development of fossil fuel energy resources in the Soviet Union to congressional approval—I am not only prepared to accept it, but I wish to be added to the list of cosponsors.

Mr. CHURCH. I thank the Senator. I shall be pleased to add his name as a cosponsor.

I understand that the distinguished Senator from Pennsylvania also would like to have his name added as a cosponsor.

I yield to the Senator from Pennsylvania.

Mr. SCHWEIKER. I thank the Senator for yielding. I am pleased to be a cosponsor of this amendment. I had a similar amendment, but in view of the situation developed here and the chairman's willingness to accept it, I am pleased to be a cosponsor of this amendment.

I hope that it will be accepted. I think it is a very important amendment.

The PRESIDING OFFICER. Is all time yielded back?

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

Mr. PACKWOOD. I yield back my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Idaho.

The amendment was agreed to.

The PRESIDING OFFICER. The Senator from Wisconsin is recognized.

Mr. PROXMIRE. Mr. President, I yield to the Senator from Oregon.

Mr. PACKWOOD. Mr. President, it is on my time, chargeable to my time on the bill.

I am submitting in Senator JAVITS' behalf an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will state the amendment.

The legislative clerk read as follows:

On page 3, line 23, insert the following: After the period add the following new sentence: "The Bank shall also include in the semi-annual report a description of each transaction assisted by the Bank involving the export of any product or service related to the production, refining or transportation of any type of energy or the development of any energy resources with a statement assessing the impact, if any, on the availability of such products, services, or energy supplies thus developed for use within the United States."

Mr. PACKWOOD. The purpose of this amendment is to provide a continuing review from Eximbank, in its semiannual reports, of all energy related transactions in order to determine the impact of the transactions on;

First, the domestic availability of the products and services to be exported; and

Second, the domestic requirements for the energy supplies produced by the Exim-financed projects.

Such an approach is far preferable to a mandated cut-off of energy projects, or the requirement for congressional approval of every energy related transaction with a Communist country.

Mr. President, I think the purpose of the amendment is obvious. It simply directs the Bank to include in its semiannual reports a description of transactions involving the export of energy resources.

I yield back the remainder of my time.

Mr. STEVENSON. I yield back my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oregon (Mr. PACKWOOD) in behalf of the Senator from New York (Mr. JAVITS).

The amendment was agreed to.

AMENDMENT NO. 1860

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the names of the Senator from Delaware (Mr. ROTH) and the Senator from Pennsylvania (Mr. SCHWEIKER) be added as cosponsors of the amendment, No. 1860, now pending, which is to put Eximbank back in the budget.

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

Mr. PROXMIRE. Mr. President, putting the Eximbank back in the budget is essential to gaining greater congressional control of the Bank's activities. It will give the Appropriations Committee the chance to review its operations on a yearly basis and approve its net outlays. It will enable those committees to examine the Bank's lending activities and determine whether they are meeting the criteria set forth in this new authorizing legislation.

In this legislation, we are extending the Export-Import Bank's authority for another 4 years. With all their many responsibilities, it may take the budget committees a couple of years to complete their study. The merits of the case are clear. We should act now to put the Bank back in the budget and insure the integrity of both the Federal and congressional budget processes.

Repealing the Eximbank's exemption is necessary to achieve the objectives of the new Congressional Budget Act. The budget committees are supposed to assert congressional control over all budget outlays, including expenditures and net lending of funds. They cannot do their job properly if an agency of the size and impact of the Export-Import Bank is left out altogether.

The framers of the budget legislation recognized this fact. Indeed, the Senate voted to put Eximbank and five other off-budget agencies back in the budget. A compromise reached in conference called for continuing study of the off-budget agencies, with recommendations for changes.

I have no doubt that the budget committees will do this study, and do it well. But the legislative history made with the budget reform as was adopted made it clear that the Congress would be free to incorporate exempted agencies into the budget at any time.

Members of the conference committee on the Budget Act have assured me that there was no intent to preempt the authorizing committees from acting to change the status of off-budget agencies. In fact, only the authorizing committees can take such action, with or without a study by the budget committees.

Members of the Senate Budget Committee have informed me that they have no objection to my offering this amendment at this time. In fact, several of them have said they would support the amendment, and one committee member, Senator CHILES, is a cosponsor .

Now, Mr. President, I would like to spend just a minute or two answering some of the arguments which have been used against putting the Eximbank back in the budget.

The first such argument is that the Bank should not be included in the budget because it does not receive any appropriated funds.

The fact is that under current budget procedures, Federal lending programs are included in the budget along with direct expenditures.

The President's Commission on Budget Concepts, in its 1967 report setting up the unified budget, recommended unanimously that all loan programs operated by entities in which the capital stock is owned by the Government or which have recourse to Federal funds be included in the budget on a net lending basis. That is, the budget totals should reflect the difference between loan outlays or disbursement, on one side, and loan repayments, on the other side.

The Commission considered the question of the budget treatment of lending programs in some detail before making the recommendation that the net lending figure be included in the budget, and thus in the calculation of the budget deficit or surplus. They concluded that Government loans do have an overall effect similar to that of government expenditures, in that they redirect resources to meet social needs which would not be met through the operations of the private market. I quote in part from the Commission's study:

> Federal loan programs represent a redirection of national resources to comply with social priorities. They establish claims on resources and demands for current output of the economy that are very hard to distinguish from the demands and claims that arise from Federal expenditures for grants, transfer payments, or subsidies—transactions which are clearly included in anyone's measure of Government "expenditures." . . . In any event, the burden on the Treasury to finance loans through taxes or borrowing is not less than—or different from—the burden associated with financing any other Government expenditure.

It is argued that the Bank's loans should not be treated as budget outlays because they are paid back and "have proven 99.98 percent collectible" over the years.

The fact that the repayment record is excellent does not make Eximbank's loans any different in kind from other Federal Government direct loans which are also paid back over time with interest and are included in the budget. The Farmers Home Administration, for instance, gives mortgage loans for housing in rural areas and has a foreclosure rate of less than 3 percent; FHA is in the budget.

It might also be added that Eximbank's repayment record is achieved in part by refinancing of delinquent loans on very favorable terms. (These include refinancing at the former rate of interest rather than the current rate, and folding interest due into the principal.) Incidentally, these generous terms are not available under most Federal loans programs.

Also, the argument is made that putting the Bank back in the budget would change it from an agency capable of financing a rising level of American exports to one which would burden the annual budget to the tune of $1.5 billion and up.

The Bank's effect on the deficit remains the same, whether it is revealed in the budget totals or concealed outside of the budget. The fact is that the Bank's outlays net of its receipts for any one fiscal year are what determines its immediate impact on the economy, on fiscal policy and on the money markets. Its long-term prospects for expansion and repayment are also important factors, but that does not make it any less essential to consider the immediate budget impact on an annual basis.

It has also been argued, Mr. President, that Congress has adequate control over the Bank's activities through the limitation it places on the amount of loans the Bank can make it any 1 fiscal year.

As this procedure is presently set up, it is just a technical bookkeeping exercise for the Appropriations Committees. As former chairman of the Foreign Operations Subcommittee, which handles Eximbank matters, I know that the Appropriations Committees do not have adequate authority at the present time to oversee and control the Bank's lending activities.

The only way to achieve real congressional control of the Export-Import Bank's operations is to set out fully in the budget its net lending on a year-by-year basis and its impact on the budget deficit. Congress needs to have the full picture, in order to decide what priority to give to export loans and what resources to allocate for this purpose, in both the short and long term.

As chairman of the subcommittee, you see that item over there in parenthesis not affecting obligational authority and you simply do not focus attention on it. You are busy trying to do what the Appropriation Committee is measured by—what it does on obligational authority. The Eximbank—outside the budget—does not affect that so you do not give it any attention, and I challenge any one to point to any time when it has received any degree of attention or control.

I was chairman of that subcommittee for 3 years, and at no time did we have any discussion in conference, in the subcommittee, or in the full committee concerning the Export-Import Bank.

Of course, Bill Casey, as head of Eximbank, likes it this way—so would I if I had his job. He is out from under effective congressional control, and does not have to compete on his lending. But that is wrong, and we know it is wrong.

Finally, Mr. President, we have the argument that we need to have the Export-Import Bank out of the budget to relieve our balance-of-payments problems, by permitting a higher level of Eximbank lending to increase U.S. exports.

This was the main argument made in 1971 for taking the Bank out of the budget. In 1971 the United States experienced its first balance-of-payments deficit since 1888. I found the argument dubious at the time, and now I question still more its validity.

The first problem with it is that it is not necessary to take an agency out of the budget to expand its activities. If you want to assign exports top priority, you can simply assign them a higher level of budget outlays, and either reduce outlays for other programs or run a higher deficit. Taking the agency out of the budget means we avoid facing the choices we have to make, while making them anyway. That is exactly what happened in the decision to remove the Eximbank from the budget, and in similar decisions on other agencies.

A second point is that there is considerable argument as to whether Eximbank lending activities do increase exports or whether they simply substitute public financing for private financing of exports which would have occurred in any event. The fact that Exim has financed the export of such goods as 747 jet airliners, which are not produced anywhere but in the United States, tends to support the substitution theory. To the extent that Eximbank loan substitute U.S. Government financing for foreign financing of exports, the effect on the balance of payments is negative rather than positive.

Even more importantly, experts have questioned whether the whole concern over balance of payments is justified, particularly with recent changes in the international monetary system leading to the adoption of flexible exchange rates.

In a time of rising inflation, one can even question whether it is wise to assign any priority to exports. There is logic in the argument that exports are inflationary, in that they reduce the supply of goods available on the domestic market while leaving the level of domestic demand unchanged, thus causing prices to rise.

I think there are times, of course, when we need exports more than at other times. At any rate, I think under present circumstances we ought to have the Bank in the budget, so that we can measure the priorities, and decide whether the funds ought to go into housing, into small business, or into export subsidies of the kind we have here.

Mr. President, I am happy to yield the Senator from Virginia such time as he may require.

Mr. HARRY F. BYRD, JR. Mr. President, I rise to support the amendment of the distinguished Senator from Wisconsin to put the Export-Import Bank back in the budget.

There are some arguments to be made that the Eximbank should be exempt from the budget. The most telling is that if Eximbank were included in the budget, our deficits would look worse than they do.

The fact is that in the budget or out of the budget, the Eximbank has an impact on net Government outlays.

To substantiate that statement, Mr. President, I refer my colleagues to page 16 of the committee report on the pending bill (S. 3917). It is clearly stated on page 16 of the committee report that the Eximbank will contribute $1.6 billion in net outlays in fiscal year 1975.

One of the most disturbing trends in recent years has been taking agencies out of the budget. "De-budgeting the budget" one economic analyst called it.

As the able Senator from Wisconsin pointed out Chairman Arthur Burns of the Federal Reserve Board said that off-budget agencies including the Eximbank are responsible for $40 billion of outstanding debt—not included in the astronomical sum we call the national debt.

Since 1971, the Eximbank has been classed as one of the off-budget agencies and in that class it has been joined by six others including the new Postal Service.

The Senate, in the Congressional Budget Act voted to include Eximbank and five other agencies back in the budget.

This provision was, unfortunately, deleted in conference.

I hope the Senate will reaffirm its position and include this agency in the budget. The Federal budget is the best way the taxpayer can see how his money is being spent, and he deserves to see how this portion of his money is used.

I am pleased to support the amendment offered by the Senator from Wisconsin.

Before closing, I would like to say that I am sorry that the Senate concluded to table the amendment offered by the Senator from Pennsylvania (Mr. SCHWEIKER). Foreign governments and foreign companies get a tremendous interest rate advantage in borrowing from the Export-Import Bank, even more so of an advantage than appears on the surface.

I say that for this reason: That even though the Export-Import Bank is charging around 8 percent for loans, it makes to Russia and to other countries now the prevailing interest rate is 12 percent. But that does not tell the whole story. A domestic company, an American company, borrowing money for its own operations here in the United States must pay not just the 12 percent but it must keep, the normal banking practice is to require that company to keep, a compensating balance of 20 percent. So that means that the effective rate for most American companies to finance their operations here in the United States is somewhere between 14 and 14.5 percent. That is a tremendous difference from the 8 percent at which the Export-Import Bank loans funds to foreign governments and companies.

I think, bearing all of that in mind, Mr. President, is a good reason—there are many good reasons, including that—for the Senate to support the amendment offered by the Senator from Wisconsin.

Mr. PACKWOOD. I have sat on the Banking Committee since I came to the Senate in 1969, and I have heard the arguments for and against, including the Export-Import budget in the Federal budget.

I voted initially, as I think many of us did, to exclude it, and was impressed with the argument of the balance of payments.

I think were it not for the fact that we have just created a Budget Committee I would be inclined to support the amendment of the Senator from Wisconsin. But the Budget Committee has been specifically charged—and I think if any of the members of the Budget Committee are here, they may speak on behalf of excluding this from the budget—that the Budget Committee should be given at least 1 year to look not only at this budget but at a variety of other budgets that are at the moment outside of the general Federal budget.

I know Senator MUSKIE, the Senate chairman of the Budget Committee, is opposed to this.

I speak against it with mixed feelings, and I can assure the Senator from Wisconsin if the Budget Committee reaches no resolution of this problem one way or the other, makes no recommendation or passes it over after a year, I would be inclined to join with him in supporting including it in the budget. But I am compelled at the moment to vote against it until the Budget Committee has had a chance to take care of it.

Mr. PROXMIRE. If the Senator will yield, I think he raises a point that troubles many Senators. The Budget Committee is divided. Senator CHILES, a sponsor of this amendment, is a member of the Budget Committee. I spoke to Senator MUSKIE and other members. There are no strong feelings on their part. They do not intend to oppose the amendment. They did indicate in the RECORD that was made when the Budget Reform Act was adopted that any time Congress wished to put these off-budget agencies back in the budget they could do it and, of course, we did do this once before.

So, for that reason, it seems to me that we would not be offending the members of the Budget Committee if we acted to give them the kind of jurisdiction which I think they should have if they are going to be in position to decide on priorities.

Mr. PACKWOOD. I am not worrying about offending them. I am just wondering if we should let a year pass and let them look at this or some variety of budgets some of which are in, some of which are out, of the budget so that we could have a consistent policy.

So I say again at the end of what is a reasonable time for that committee to look at it, if they come up with no consistent policy I would be inclined to support the Senator.

Mr. PROXMIRE. One more point in response. Frankly, I think the time to put the Export-Import Bank into the budget is now. If we do not do it now we never will. Why? Because right now the American people are concerned about interest rates. They know about the competition for available funds. I talked to a group of papermakers the other day. None of them were sophisticated economists. I doubt if any of them had studied economics. But this was something they felt very strongly about. They go to borrow mortgage money for a home and they pay 10 percent. They see the Export-Import Bank financing exporters at 7 or 8 or 9 percent, at any rate below what they have to pay for money. This is true of many small businessmen throughout our country.

Now is the time when we have that sensitivity. Another year or two and we may well not have it, and there is always a tremendous pressure by any group, including the well-organized, articulate exporters in this country, and the Export-Import Bank people who were up here ringing our doorbells and telling us how they feel.

So I think if we are going to put the Bank back in the budget, this is the best time, although I understand the argument of the Senator from Oregon. I think it is a responsible argument and a very honest argument.

I think that realistically if we do not put the Export-Import Bank back in the budget now, it is going to be a lot harder later on.

Mr. STEVENSON. Mr. President, I yield to the Senator from Kansas.

Mr. DOLE. Mr. President, I oppose the amendment introduced by the distinguished Senator from Wisconsin which would include the activities of the Export-Import Bank in the Unified Budget.

The Bank is currently excluded from the Budget under a law which we enacted in 1971. That action was taken after thorough hearings and deliberation because the Bank does not use appropriated funds and because its expenditures result in and are offset by obligations payable to the Bank which have proven to be 99.98 percent collectable. Eximbank not only operates without appropriated funds but has paid a total of $906 million in dividends to the U.S. Treasury. It has paid for its own operating expenses and has built up reserves of $1.5 billion from its profit.

Under present budget accounting policies, disbursements by Eximbank pursuant to its loan agreements are treated the same way as expenditures of appropriated funds but are not offset by either the promissory notes which Eximbank receives from the borrower and which past experience shows are collectible assets or by receipt of the funds obtained by Eximbank from the sale of its debentures in the private money markets.

To place Eximbank within the Budget under current budgetary accounting procedures misleads the American public and the Congress by impacting the budget with a deficit of approximately $1.5 billion annually even though no appropriated funds are used.

This would result in pressures on the Bank to reduce its operations in the real world of international trade so that the unreal deficit can be diminished.

I believe it is essential to the continued strength of our economy that Eximbank be supported, not hampered, in its efforts to further U.S. exports. It is clear that our need for imported raw materials will increase in the years to come. Unless we can increase our volume of exports at a level which will keep pace with our rising volume of imports, payments for these imports will place a severe strain on our foreign exchange reserves and could cause further devaluation of the dollar with its inflationary results. For example, in the months of May and June, the United States had a deficit in our merchandise trade balance of $1.033 billion and a trade deficit in excess of $2 billion is expected for the whole year 1974. This is no time to be hampering with the effective operation of the Bank without first having the benefit of the careful study which will shortly be undertaken by our own Budget Committee.

Eximbank's being out of the budget in no way weakens congressional control over the level of Eximbank's activities because—

Annually, the Bank reviews pending loan applications, loan forecasts, and availabilities of private funds for export financing. It justifies required activity levels for the fiscal year to the Office of Management and Budget and the Congress. These levels are part of the Bank's annual budget, are printed in the budget of the U.S. Government, and are

transmitted by the President to the Congress;

In accordance with the provisions of the Government Corporation Control Act the President transmits annually to the Congress the budget for program activities and administrative expenses of the Bank;

Specific annual authorizations and expense ceilings are recommended each year by the Appropriations Committees of both Houses and acted on by Congress in the Foreign Assistance and Related Program Appropriations Act. At this time an estimate of the impact on the budget if Eximbank were included is made available to committee members; and

The overall limitations on the Bank's activities during its statutory life are recommended by the Banking Committees of both Houses and approved by the Congress in the Bank's enabling legislation.

When the Congressional Budget and Impoundment Act was under consideration just a few months ago, there was deliberation on whether some off budget agencies including Eximbank should be included in the budget. The conferees determined that such action should only be taken after further study and thus specifically wrote section 606 into the Budget Act as follows:

The Committees on the Budget of the House of Representatives and the Senate shall study on a continuing basis those provisions of law which exempt agencies of the Federal Government, or any of their activities or outlays, from inclusion in the Budget of the United States Government transmitted by the President under Section 201 of the Budget and Accounting Act, 1921. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

I do not believe that we should precipitously return the activities of this important institution to the budget. The Budget Committee which has just recently been formed is about to undertake a full evaluation of the complicated issues and many considerations which surround this matter. Just last month the House rejected a similar amendment.

For those reasons and other reasons stated in my statement, I oppose the amendment.

Mr. STEVENSON. Mr. President, I supported this amendment in the Banking Committee. It was decisively defeated in the committee.

I am sympathetic to the purpose of the Senator from Wisconsin, but I do agree with the Senator from Oregon that it would be best first if either the Budget Committee or the Government Operations Committee consider this matter and recommend a uniform treatment for all such agencies.

If those committees do not act, do not make a recommendation, within another year to the Senate, I, at that point, would be very much prepared to take the matter up on the floor and put the Export-Import Bank in the budget. But not now.

For that reason only, I must oppose the amendment.

Mr. MUSKIE. Mr. President, I oppose the amendment introduced by the distinguished Senator from Wisconsin which would require the immediate inclusion of the Export-Import Bank in the unified budget.

The Senate Budget Committee, of which I am chairman, was specifically directed in section 606 of the Budget Impoundment Act we passed this summer to make recommendations on this issue after a thorough study. We intend to do just that but we will be preempted if this amendment is passed. The issue is not uncomplicated and should be acted upon only after we have had an opportunity to clearly focus on the implications of including Exim under existing accounting rules or whether some adaptation of accounting rules should be made.

The Bank is currently excluded from the Budget under a law which the Congress enacted in 1971. That action was taken after thorough hearings and deliberations. At that time it was strongly argued that it was not appropriate to include the Bank in the Budget because it does not require appropriated funds and the Bank's disbursements result in and are offset by obligations payable to the Bank.

Under present budget accounting procedures, disbursements by Eximbank would be treated the same way as expenditures of appropriated funds and would not be offset by either the promissory notes which Eximbank receives from the borrower or by the receipt of the funds obtained by Eximbank from the sale of its debentures in the private money markets.

Let me point out that excluding Eximbank from the budget does not deprive the Congress of control over the level of the Bank's activities because—

Specified annual authorizations and expense ceilings are acted upon each year by Congress in the Foreign Assistance Act;

Required activity levels for the Bank are part of the Bank's annual budget printed in the Budget of the U.S. Government, and submitted by the President to the Congress; and

Overall limitations on the Bank's activities will, under the legislation now before us, be again subject to full congressional review by the Banking Committees of both Houses 2 years from now when the present loan authorization is expected to be used up.

There thus seems to be little reason to precipitously return the activities of this institution to the budget before the Congressional Budget Committee have had the chance to undertake a full evaluation of the issues which surround this matter.

I urge you to support me in opposing this amendment to the pending bill.

Mr. PROXMIRE. Mr. President, I am ready to yield back my time. I do want a rollcall.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDENT OFFICER. Is there a sufficient second?

There is not a sufficient second.

Mr. PROXMIRE. Then I yield back——

The PRESIDING OFFICER. There is a sufficient second.

The yeas and nays were ordered.

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

The PRESIDING OFFICER (Mr. HATHAWAY). All time having been yielded back, the question is on agreeing to the amendment of the Senator from Wisconsin (Mr. PROXMIRE). The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Indiana (Mr. BAYH), the Senator from Texas (Mr. BENTSEN), the Senator from Florida (Mr. CHILES), the Senator from California (Mr. CRANSTON), the Senator from Missouri (Mr. EAGLETON), the Senator from Mississippi (Mr. EASTLAND), the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Colorado (Mr. HASKELL), the Senator from Massachusetts (Mr. KENNEDY), the Senator from South Dakota (Mr. MCGOVERN), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from Minnesota (Mr. MONDALE), the Senator from New Mexico (Mr. MONTOYA), and the Senator from Mississippi (Mr. EASTLAND) are necessarily absent.

I further announce that the Senator from West Virginia (Mr. RANDOLPH) is absent on official business.

I further announce that, if present and voting, the Senator from West Virginia (Mr. RANDOLPH) would vote "yea."

Mr. HUGH SCOTT. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from Utah (Mr. BENNETT), the Senator from Kentucky (Mr. COOK), the Senator from Nebraska (Mr. CURTIS), the Senator from Colorado (Mr. DOMINICK), the Senator from Michigan (Mr. GRIFFIN), the Senator from New York (Mr. JAVITS), the Senator from Maryland (Mr. MATHIAS), the Senator from Pennsylvania (Mr. SCHWEIKER), the Senator from Alaska (Mr. STEVENS), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

I further announce that the Senator from New Mexico (Mr. DOMENICI) is absent due to illness.

I further announce that, if present and voting, the Senator from New York (Mr. JAVITS) would vote "nay."

The result was announced—yeas 41, nays 32, as follows:

[No. 418 Leg.]

YEAS—41

Allen	Ervin	Metcalf
Bartlett	Fannin	Metzenbaum
Bible	Goldwater	Nelson
Brock	Gravel	Nunn
Buckley	Hansen	Pastore
Burdick	Hart	Proxmire
Byrd, Harry F., Jr.	Hartke	Ribicoff
Byrd, Robert C.	Helms	Roth
Cannon	Hollings	Stennis
Case	Huddleston	Symington
Church	Hughes	Talmadge
Clark	Johnston	Tunney
Cotton	McClellan	Weicker
	McClure	Williams

NAYS—32

Aiken	Humphrey	Pell
Baker	Inouye	Percy
Beall	Jackson	Scott, Hugh
Biden	Long	Scott, William L.
Brooke	Magnuson	Sparkman
Dole	Mansfield	Stafford
Fong	McGee	Stevenson
Gurney	Moss	Taft
Hatfield	Muskie	Thurmond
Hathaway	Packwood	Tower
Hruska	Pearson	

NOT VOTING—27

Abourezk	Domenici	Mathias
Bayh	Dominick	McGovern
Bellmon	Eagleton	McIntyre
Bennett	Eastland	Mondale
Bentsen	Fulbright	Montoya
Chiles	Griffin	Randolph
Cook	Haskell	Schweiker
Cranston	Javits	Stevens
Curtis	Kennedy	Young

So Mr. PROXMIRE's amendment was agreed to.

Mr. PROXMIRE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Are there further amendments?

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

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk proceeded to read the amendment.

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

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

Mr. BROCK's amendment is as follows:

At the end of the bill add the following new title:

TITLE IV—APPLICABILITY OF STATE USURY CEILINGS TO CERTAIN OBLIGATIONS ISSUED BY BANKS AND AFFILIATES

SEC. 501. Section 19 of the Federal Reserve Act is amended by adding at the end thereof the following new subsection:

"(k) No member bank or affiliate thereof, or any successor or assignee of such member bank or affiliate or any endorser, guarantor, or surety of such member bank or affiliate may plead, raise, or claim, directly or by counterclaim, setoff, or otherwise, with respect to any deposit or obligation of such member bank or affiliate, any defense, right, or benefit under any provision of a statute or constitution of a State or of a territory of the United States, or of any law of the District of Columbia, regulating or limiting the rate of interest which may be charged, taken, received, or reserved, and any such provision is hereby preempted, and no civil or criminal penalty which would otherwise be applicable under such provision shall apply to such member bank or affiliate or to any other person."

SEC. 502. Section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828) is amended by adding at the end thereof the following new subsection:

"(k) No insured nonmember bank or affiliate thereof, or any successor or assignee of such bank or affiliate or any endorser, guarantor, or surety of such bank or affiliate may plead, raise, or claim, directly or by counterclaim, setoff, or otherwise, with respect to any deposit or obligation of such bank or affiliate, any defense, right, or benefit under any provision of a statute or constitution of a State or of a territory of the United States, or of any law of the District of Columbia, regulating or limiting the rate of interest which may be charged, taken, received, or reserved, and any such provision is hereby preempted, and no civil or criminal penalty which would otherwise be applicable under such provision shall apply to such bank or affiliate or to any other person."

SEC. 503. Section 5B of the Federal Home Loan Bank Act (12 U.S.C. 1425b) is amended by adding at the end thereof the following new subsection:

"(c) No member or nonmember association, institution, or bank or affiliate thereof, or any successor or assignee, or any endorser, guarantor, or surety thereof may plead, raise, or claim, directly or by counterclaim, setoff, or otherwise, with respect to any deposit or obligation of such member or nonmember association, institution, bank or affiliate, any defense, right, or benefit under any provision of a statute or constitution of a State or of a territory of the United States, or of any law of the District of Columbia, regulating or limiting the rate of interest which may be charged, taken, received, or reserved, and any such provision is hereby preempted, and no civil or criminal penalty which would otherwise be applicable under such provision shall apply to such member or nonmember association, institution, bank, or affiliate or to any other person."

SEC. 504. The amendments made by this title shall apply to any deposit made or obligation issued in any State after the date of enactment of this title, but prior to the earlier of (1) July 1, 1977 or (2) the date (after such date of enactment) on which the State enacts a provision of law which limits the amount of interest which may be charged in connection with deposits or obligations referred to in the amendments made by this title.

The PRESIDING OFFICER. The Senate will be in order.

Mr. ROBERT C. BYRD. Mr. President, may we have the aisles cleared of staff people, and ask the Senators to take their seats? We cannot hear. We cannot see the Senator who is speaking.

The PRESIDING OFFICER. Will the Senators please take their seats?

Mr. BROCK. Mr. President, I would point out very simply this is the bill the Senate has already acted affirmatively on, I think without dissent, and passed to the House. We are adding it in order to get it into the conference. I have discussed it with the chairman of the committee, the subcommittee, and the ranking minority member. I do not believe there is any particular objection to the amendment. It incorporates an amendment which was sponsored by the Senator from Montana and myself, as well as the Citicorp bill, and the amendment of the Senator from Wisconsin related to revenue bonds.

Mr. PROXMIRE. I understand the Senator is talking about S. 3838.

Mr. MANSFIELD. I would point out that three States—Tennessee, Arkansas, and Montana—are set apart and this is needed for equity.

Mr. BROCK. That is correct.

Mr. SPARKMAN. And it includes Citicorp?

Mr. PROXMIRE. And S. 3838 as it passed the Senate?

Mr. BROCK. That is correct.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. McCLELLAN. I understand this is the bill we previously passed dealing with the interest rate, trying to accommodate these States that have no usury laws, usury limits?

Mr. BROCK. That is correct; States affected by title III of S. 3838.

Mr. McCLELLAN. I hope it will be accepted and retained in the bill.

The PRESIDING OFFICER. Who yields time?

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

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

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee. [Putting the question.]

The amendment was agreed to.

Mr. BROOKE. Mr. President, I rise in support of S. 3917, which extends the life of the Export-Import Bank and increases its commitment authority.

Over the past few years, the Bank has become the focus of several very controversial and difficult foreign policy issues. This bill reflects the long and reasoned attempts of the Banking Committee, and particularly its International Finance Subcommittee, to deal with these issues as they apply to the Bank's activities. With the addition of the floor amendment offered by the chairman and ranking minority member of the subcommittee, and one which I wholeheartedly support, this legislation goes a long way toward making the Bank an even more effective and responsive participant in American foreign trade.

In considering the bill as reported, we must bear in mind the Bank's primary function: providing export financing for American business. At a time when the strength of our economy is being sapped due to high interest rates and lack of available credit for many essential business transactions, it is important for the Export-Import Bank to remain strong and effective so that the Bank can continue to provide essential support for our exports.

Under the pressure of dramatic price rises for oil and foreign raw materials, we have seen the 1973 U.S. trade surplus diminish in recent months to the second quarter deficit of $2.7 billion announced yesterday. As a result, a trade deficit is likely for the full year, and some economists are even predicting it could be well over $2 billion.

The primary negative factor influencing the U.S. balance of trade is the soaring cost of imported petroleum with the fuel bill expected to exceed $25 billion in 1974 compared to $7.5 billion in 1973. But we also are in trouble in manufactured goods with the deficit in this category running at an annual rate of close to $9 billion. Partially offsetting these imbalances, are export surpluses in agricultural commodities and machinery and transport equipment. A continuing high level of export of capital goods and agricultural commodities is vital to the economic well-being of the United States.

The Export-Import Bank has demonstrated that it can do a job our exporters need. It has assured over the past years that necessary financing is available to the exporter who cannot obtain from commercial sources the financing he needs to win his export sale—whether the reason be the credit amount, risk, or foreign credit competition.

To meet the growing need for financial support as U.S. exporters pursue foreign markets in the interest of a trade balance, Eximbank has responded with assistance for $13 billion in export sales in fiscal year 1974, an 88-percent increase over fiscal year 1971.

The Export-Import Bank does not use

appropriated funds in providing this vital assistance. To raise the funds, the Bank borrows from the private market for the medium term and from the U.S. Treasury for the short term. It repays these moneys at the prevailing interest rates. Since 1945, Eximbank has paid $906 million in dividends to the U.S. Treasury out of the profits from its operations and has accumulated reserves of $1.5 billion which are fully utilized in furtherance of the Bank's function. In fiscal year 1974, the Bank made a profit of more than $105 million and paid a $50 million dividend to the U.S. Treasury. Eximbank has made a profit of more than $100 million each year for the past 13 years.

Now is not the time to shackle the Bank with new restrictions on its ability to respond to the demonstrated needs of the U.S. exporters. Placing the Bank back under the budget would do just that. Moreover, technical application of the unified budget and accounting rules to the Bank is unreal and artificial. The money the Bank borrows in a budget year to relend would not appear as a budget receipt to offset the Bank's loan disbursements which would be charged as budget expenditures. Budget receipts would only be recorded in later years when the loans and repaid. Thus, artificial deficits would be added to an already overloaded Federal budget for technical accounting reasons, even though no appropriations of tax moneys would be involved.

Let us agree that this accounting morass is not in the interest of the United States. We do not need it immediately because the Bank already is properly under congressional control. Accordingly, the resolution of the complicated issues involved in placing Eximbank in the unified budget should await the study and recommendation of our new Budget Committee. I urge defeat of the proposed amendment to now include Exim in the budget.

I am also not persuaded by the arguments of those who have attacked the Bank's policies in setting the interest rate it charges on its loans. The Bank is now charging a rate between 7 percent and 8½ percent depending upon the circumstances of each particular loan. This flexible approach by the Bank permits it to charge the rate that covers its cost of borrowed money and, at the same time, provide the competitive financing necessary if our U.S. exporters are going to successfully compete abroad. For example, prior to June 1973, the Bank's average cost of borrowed money was less than 6 percent. However, when its cost rose above this in February 1974, the Bank raised its lending rate to 7 percent. Further increases in money costs have led the Bank to increase its rate to its present level. This is exactly what we intended the Bank to do. I will not support an amendment which will tie the Bank's hands in setting interest on its loans by some formula related to the volatile prime rate. Indeed, if controls on the Bank's lending rate are deemed advisable, such controls should be tied to the Bank's cost of funds, and not the prime rate.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendments to be proposed 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.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. STEVENSON. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of H.R. 15977.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows:

A bill (H.R. 15977) to amend the Export-Import Bank Act of 1945, and for other purposes.

The PRESIDING OFFICER. Without objection, the Senate will proceed to its consideration.

The Senate proceeded to consider the bill.

Mr. STEVENSON. Mr. President, I move to strike out all after the enacting clause and insert the text of S. 3917, as amended by the Senate.

The motion was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and third reading of the bill.

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

The bill (H.R. 15977) was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. MANSFIELD. I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Indiana (Mr. BAYH), the Senator from Texas (Mr. BENTSEN), the Senator from Florida (Mr. CHILES), the Senator from California (Mr. CRANSTON), the Senator from Missouri (Mr. EAGLETON), the Senator from Arkansas (Mr. FULBRIGHT), the Senator from Colorado (Mr. HASKELL), the Senator from Massachusetts (Mr. KENNEDY), the Senator from South Dakota (Mr. MCGOVERN), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from Minnesota (Mr. MONDALE), the Senator from New Mexico (Mr. MONTOYA), and the Senator from Mississippi (Mr. EASTLAND) are necessarily absent.

I further announce that the Senator from West Virginia (Mr. RANDOLPH) is absent on official business.

I further announce that, if present and voting, the Senator from West Virginia (Mr. RANDOLPH), would vote "yea."

Mr. HUGH SCOTT. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from Utah (Mr. BENNETT), the Senator from Kentucky (Mr. COOK), the Senator from Nebraska (Mr. CURTIS), the Senator from Colorado (Mr. DOMINICK), the Senator from Arizona (Mr. Mr. FANNIN), the Senator from Michigan (Mr. GRIFFIN), the Senator from New York (Mr. JAVITS), the Senator from Maryland (Mr. MATHIAS), the Senator from Pennsylvania (Mr. SCHWEIKER), the Senator from Alaska (Mr. STEVENS), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

I further announce that the Senator from New Mexico (Mr. DOMENICI) is absent due to illness.

The result was announced—yeas 67, nays 5, as follows:

[No. 419 Leg.]

YEAS—67

Aiken	Hartke	Packwood
Allen	Hatfield	Pastore
Baker	Hathaway	Pearson
Bartlett	Hollings	Pell
Beall	Hruska	Percy
Bible	Huddleston	Proxmire
Biden	Hughes	Ribicoff
Brock	Humphrey	Roth
Brooke	Inouye	Scott, Hugh
Buckley	Jackson	Scott, William L.
Burdick	Johnston	Sparkman
Byrd, Harry F., Jr.	Long	Stafford
Cannon	Magnuson	Stennis
Case	Mansfield	Stevenson
Clark	McClellan	Symington
Dole	McClure	Taft
Fong	McGee	Talmadge
Goldwater	Metcalf	Thurmond
Gravel	Metzenbaum	Tower
Gurney	Moss	Tunney
Hansen	Muskie	Weicker
Hart	Nelson	Williams
	Nunn	

NAYS—5

Byrd, Robert C.	Cotton	Helms
Church	Ervin	

NOT VOTING—28

Abourezk	Dominick	McGovern
Bayh	Eagleton	McIntyre
Bellmon	Eastland	Mondale
Bennett	Fannin	Montoya
Bentsen	Fulbright	Randolph
Chiles	Griffin	Schweiker
Cook	Haskell	Stevens
Cranston	Javits	Young
Curtis	Kennedy	
Domenici	Mathias	

So the bill (H.R. 15977) was passed.

Mr. STEVENS. Mr. President, I move that consideration of S. 3917 be indefinitely postponed.

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

Mr. STEVENSON. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized to make technical and clerical corrections in the engrossment of the Senate amendment to H.R. 15977 and that the bill be printed as passed by the Senate.

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

Mr. STEVENSON. Mr. President, I move that the Senate insist on its amendment and request a conference with the House of Representatives, and the Chair be authorized to appoint conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. SPARKMAN, Mr. PROXMIRE, Mr. WILLIAMS, Mr. CRANSTON, Mr. STEVENSON, Mr. TOWER, Mr. BROOKE, Mr. PACKWOOD, and Mr. BROCK, conferees on the part of the Senate.

DAYLIGHT SAVING TIME AMENDMENT—REPORT OF THE COMMITTEE ON COMMERCE

Mr. MAGNUSON. Mr. President, I send to the desk the report of the Senate Commerce Committee on H.R. 16102, an

act to amend the Emergency Daylight Saving Time Energy Conservation Act of 1973.

Last winter, we all recall the severe energy shortages which faced our Nation. The President requested that the Nation use every possible way to save energy. In particular, he asked Congress to pass a temporary change in the Nation's time law and place the Nation on year-round daylight saving time. The Congress responded immediately, and the Emergency Daylight Saving Time Energy Conservation Act of 1973 was passed within a few days of the President's energy message. New Public Law 93–182 provided that the Nation remain on daylight saving time through April 1975.

The Secretary of Transportation conducted a study of the national experience under year-round daylight saving time for the first few months of 1974. His interim report on the impact of daylight saving time was forwarded to the Congress on June 30, 1974. That report shows significant but small energy savings in electricity consumption due to daylight saving time in the winter months. Unfortunately, the data base was insufficient to draw final conclusions. And, it is clear from the public opinion polls that people's attitude toward winter daylight saving time changed significantly after the time change on January 4, 1974, and probably a change that is surely justified under the interim report from the Department of Transportation.

H.R. 16102 amends Public Law 93–182 to reflect the change in popular opinion with regard to winter daylight saving time. The bill proposes to place the Nation back on nonadvanced time beginning the last Sunday in October this fall and continuing through the last Sunday in February 1975. So the Nation will be on an 8-month daylight saving time, 4-month regular time system over the next 12 months.

The bill amends the temporary Daylight Saving Time Act. It does not change the underlying Uniform Time Act of 1966. When the Emergency Act expires on the last Sunday in April 1975, the Nation will revert to the Uniform Time Act of 1966, and we will again be on a 6-month daylight saving time, 6-month standard time system nationwide. Next summer, the Secretary of Transportation will again forward to the Congress a report on the overall national experience under advanced time in winter months. The Senate Commerce Committee will review then the time laws of the Nation and determine whether or not a permanent change in the time statutes is warranted based on the evidence at hand.

I sincerely hope that H.R. 16102 will pass the Senate in the very near future and be forwarded to the President.

We can do it tonight, but I do not know if there are enough of us here. I hope it will be forwarded to the President in the very near future. I am sure that the leadership will cooperate with us. Time is running out. Many industries across the Nation are dependent upon advanced schedule planning based on clock time. We owe it to all our citizens to provide certainty as to the time changes ahead as quickly as possible.

I sincerely believe that the Committee on Commerce and the House committee, which both endorsed this bill—we now have it on the calendar as H.R. 16102—is a consensus bill that will be widely acceptable to all the citizens in the Nation.

I wish to say one thing: I personally would have liked a 9-to-3, because we in the Northern States are a little different from other people. I see the Senator from Kansas, who urged this, standing over there. We are a little different from the people in his State. I think this will be acceptable.

I think the Senator from Kansas has an amendment on the bill.

Mr. DOLE. Yes, I remember.

Mr. MAGNUSON. That would have been all right, but that would have had to go to the House, and now we have it in definite, concrete legislation. I am sure that he is pleased with this report.

Mr. DOLE. Will the Senator yield?

Mr. MAGNUSON. Yes.

Mr. DOLE. I am pleased with the report. Many in my State would prefer a 6-to-6, but I think it is essential, as the distinguished Senator from Washington has indicated, that we act on H.R. 11602 as quickly as possible, because there are airline schedules, and so on, that look to this.

I hope that the leadership will call it up early next week, because there are schedules that need to be printed in advance, and people need to make their plans based on the action taken in Congress. I know that there is no resistance, or very little, because the amendment has already been acted upon.

Mr. MAGNUSON. I am going to suggest, since the leadership are both here, that since we have a lot of time allotted to the health and manpower bill, the Senator from Kansas and I might have a little time scheduled for us, maybe 20 minutes or a half hour, someplace at the first of the week to get this done. If we wait until the week after, we are running close to the time that the change should be made, and all kinds of people, the whole country, have to know.

I am sure we can work this out. I shall report the bill so that we are ready whenever the Senate wants to bring it up.

ORDER FOR ADJOURNMENT UNTIL 12 NOON ON MONDAY, SEPTEMBER 23, 1974

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 12 o'clock noon on Monday next.

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

ORDER FOR RECOGNITION OF SENATOR GRIFFIN AND SENATOR ROBERT C. BYRD AND FOR PERIOD FOR TRANSACTION OF ROUTINE MORNING BUSINESS ON MONDAY, SEPTEMBER 23, 1974

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that after the two leaders or their designees have been recognized under the standing order on Monday next, the junior Senator from West Virginia be recognized for not to exceed 15 minutes; that he be preceded by the assistant Republican leader, Mr. Griffin, for not to exceed 15 minutes; and that there then be a period for transaction of routine morning business of not to exceed 15 minutes, with statements therein limited to 5 minutes each.

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

ORDER FOR CONSIDERATION OF S. 3585 ON MONDAY NEXT AND FOR THE UNFINISHED BUSINESS TO BE TEMPORARILY LAID ASIDE

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that at the conclusion of the routine morning business on Monday, the Senate proceed to the consideration of S. 3585, and that the unfinished business be laid aside temporarily and remain in a temporarily laid-aside status until the close of business on Monday.

Mr. ALLEN. Reserving the right to object, and I state to the distinguished Senator that I shall not object out of courtesy to the leadership, I should like to make inquiry as to why it will be necessary to continue the unfinished business—that is, S. 707—why it will be necessary to lay it aside temporarily when, having had the agreed four cloture votes, it seems to the Senator from Alabama that it would be postponed indefinitely, or else returned to the calendar.

Mr. ROBERT C. BYRD. Mr. President, I was trying to guard against a call for the regular order, which could again force the unfinished business back before the Senate on Monday. It was for that purpose only. I wanted to be sure that no call for the regular order would bring the unfinished business before the Senate on Monday.

Mr. ALLEN. That is the very point the Senator from Alabama is making. Why would it be necessary merely to lay the bill aside, when under the stipulation that has been made the bill should be drawn down?

Mr. ROBERT C. BYRD. Because the bill is still on the calendar. It is still the unfinished business until such time as it is indefinitely postponed or laid on the table. Until such time as that occurs, it is still the unfinished business.

Mr. ALLEN. It would be the preference of the Senator from Alabama that S. 707 remain before the Senate until it is disposed of, but the Senator from Alabama stated that he would not object to the request of the acting majority leader, and I shall not interpose an objection. But I am hopeful that at an early time, possibly on Monday, the bill will be drawn down and we will take up another bill that will be the unfinished business, and not have the calendar cluttered and the procedure in the Senate stalemated by the pendency of S. 707 as the unfinished business. I express that hope to the distinguished Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, I certainly have empathy with the distinguished Senator from Alabama. I surely appreciate his position in the matter, and I am sure that the leader-

ship is going to take under very careful consideration the sentiment expressed by the distinguished Senator.

The PRESIDING OFFICER. Is there objection to the request of the Senator from West Virginia? Without objection, it is so ordered.

Mr. ROBERT C. BYRD. I wonder if the Senator will allow me to get in one further unanimous-consent request. Would the Senator from Alabama object to my asking unanimous consent that upon the disposition of the health bill, the Senate proceed to the consideration of the foreign aid authorization bill?

Mr. ALLEN. No, I have no objection. As I stated, I certainly want to cooperate with the leadership, and am not going to interpose any objection, though my preference is that S. 707 be disposed of finally and permanently.

I would like to make the request of the distinguished Senator from West Virginia that if a time limitation is set on S. 3585, I have an amendment to offer to that bill, and, along with the distinguished Senator from West Virginia, I shall be engaged in the Rules Committee hearing on the nomination of Mr. Rockefeller to be Vice President.

I wonder if there might be a time designated when the Senator from Alabama might offer his amendment. It is an amendment that will be agreed to by the manager of the bill and the leadership on the other side. What time does the distinguished Senator feel that S. 3585—during what time will it be pending before the Senate?

Mr. ROBERT C. BYRD. I would guess that by the hour of 12:30 or 12:45 on Monday, the bill would come up.

Mr. ALLEN. Would the Senator, as a cooperative move with the Senator from Alabama, be willing to stipulate that at a given time the amendment of the Senator from Alabama might be brought up, so that I could come over to the Senate Chamber, spend a few minutes in getting this amendment adopted, and then go back to the hearing?

Mr. ROBERT C. BYRD. I wonder if we could talk with the distinguished Senator from Massachusetts (Mr. KENNEDY), who will be managing the bill. I am sure he will want to make an opening statement, and there will be other pending statements that will need to be made.

I am confident, however, that that bill will not be disposed of on Monday.

Mr. ALLEN. Oh, the Senator thinks not?

Mr. ROBERT C. BYRD. I am quite sure, because under the time limitation agreement entered into today, there is a 6-hour limitation on the bill and a 6-hour limitation on a substitute to be offered by the Senator from Maryland (Mr. BEALL); I know that at least the Senator from Wisconsin (Mr. PROXMIRE) has an amendment; and there is a 2-hour limitation on any other substitute.

So by virtue of the time limitations on the bill and various substitutes and amendments, I am sure the Senate will still be on that bill on Tuesday.

Mr. ALLEN. I thank the Senator. That will allow the Senator from Alabama to come in late in the day on Monday and have his amendment considered.

Mr. ROBERT C. BYRD. Yes. I will be happy to work with the Senator in discussing this matter with the manager of the bill, to be sure that a time can be reached when the distinguished Senator from Alabama can offer his amendment, keeping in mind that he will be busy in the Rules Committee and its hearings on the confirmation of Mr. Rockefeller.

Mr. ALLEN. I thank the distinguished Senator.

ORDER FOR CONSIDERATION OF S. 3394 FOLLOWING DISPOSITION OF PUBLIC HEALTH SERVICE BILL

Mr. ROBERT C. BYRD. Then, Mr. President, I ask unanimous consent that upon the disposition of the public health service bill, the Senate proceed to the consideration of the Foreign Assistance Act amendments, which is S. 3394, I believe.

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

Mr. ROBERT C. BYRD. Along about this time of the day, I have difficulty reading without my glasses.

ORDER THAT THERE BE NO ROLLCALL VOTES PRIOR TO THE HOUR OF 4 P.M. ON MONDAY

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there be no rollcall votes prior to the hour of 4 p.m. on Monday.

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

PROGRAM

Mr. ROBERT C. BYRD. Mr. President, the Senate will convene at the hour of 12 o'clock noon on Monday.

After the two leaders or their designees have been recognized under the standing order, the Senator from Michigan (Mr. GRIFFIN) will be recognized for not to exceed 15 minutes, after which the Senator from West Virginia (Mr. ROBERT C. BYRD) will be recognized for not to exceed 15 minutes, after which there will be a period for the transaction of routine morning business of not to exceed 15 minutes, with statements therein limited to 5 minutes each.

At the conclusion of the period for the transaction of routine morning business, the Senate will take up S. 3585, a bill to amend the Public Health Service Act, on which there is a time limitation agreement. Rollcall votes may occur on amendments that day.

I have serious doubts that the Senate will finish action on the public health service bill on Monday, but in any event, upon the disposition of that bill, under order previously entered, the Senate will take up the bill to amend the Foreign Assistance Act (S. 3394).

ADJOURNMENT TO MONDAY

Mr. ROBERT C. BYRD. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until the hour of 12 noon on Monday next.

The motion was agreed to; and at 7:29 p.m. the Senate adjourned until Monday, September 23, 1974, at 12 noon.

CONFIRMATIONS—SEPTEMBER 19, 1974

Executive nominations confirmed by the Senate September 19, 1974:

FEDERAL ENERGY ADMINISTRATION

William W. Geimer, of Illinois, to be Director, Intergovernmental and Regional Relations, Federal Energy Administration.

CIVIL AERONAUTICS BOARD

Richard Joseph O'Melia, of Maryland, to be a member of the Civil Aeronautics Board for the term of 6 years expiring December 31, 1980.

INTERSTATE COMMERCE COMMISSION

Robert Coleman Gresham, of Maryland, to be an Interstate Commerce Commissioner for a term of 7 years expiring December 31, 1981.

(The above nominations were approved subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

IN THE NAVY

Rear Adm. Shannon D. Cramer, Jr., U.S. Navy, having been designated for commands and other duties determined by the President to be within the contemplation of title 10, United States Code, section 5231, for appointment to the grade of vice admiral while so serving.

Rear Adm. Robert C. Gooding, U.S. Navy, having been designated for commands and other duties of great importance and responsibility commensurate with the grade of vice admiral within the contemplation of title 10, United States Code, section 5231, for appointment to the grade of vice admiral while so serving.

Rear Adm. Earl F. Rectanus, U.S. Navy, having been designated for commands and other duties of great importance and responsibility commensurate with the grade of vice admiral within the contemplation of title 10, United States Code, section 5231, for appointment to the grade of vice admiral while so serving.

Rear Adm. Joe Williams, Jr., U.S. Navy, having been designated for commands and other duties of great importance and responsibility commensurate with the grade of vice admiral within the contemplation of title 10, United States Code, section 5231, for appointment to the grade of vice admiral while so serving.

Rear Adm. James B. Wilson, U.S. Navy, having been designated for commands and other duties determined by the President to be within the contemplation of title 10, United States Code, section 5231, for appointment to the grade of vice admiral while so serving.

DEPARTMENT OF STATE

The following-named Foreign Service officers for promotion from class 1 to the class of Career Minister:

Alfred L. Atherton, Jr., of Florida.
Frank C. Carlucci, of Pennsylvania.
Richard T. Davies, of Wyoming.
Arthur W. Hummel, Jr., of Maryland.
Robert J. McCloskey, of Maryland.
Terence A. Todman, of the Virgin Islands.
George S. Vest, of Virginia.
Charles S. Whitehouse, of Virginia.

DIPLOMATIC AND FOREIGN SERVICE

Diplomatic and Foreign Service nominations beginning Richard W. Berg, for promotion to a Foreign Service Officer of class 2, and ending Jack J. Rudolph, Jr., to be a consular officer of the United States of America, which nominations were received by the Senate and appeared in the Congressional Record on July 31, 1974.